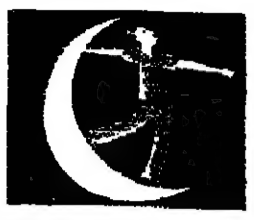
FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY JANUARY 11 1999



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WORLD NEWS

German opposition presses on with citizenship petition

Germany's main opposition parties are finalising a controversial petition protesting at government plans to offer dual citizenship to more than 7m foreigners. *Critics warn that collecting signatures will stoke racial tensions.* Page 16

Russians argue over economy
Former Russian central bank *chief Sergei Dubinin accused state officials who have alleged* corruption in the institution of trying to undermine economic reforms. **International, Page 3**

Kosovo rebels hold Serb soldiers
Yugoslav troops massed near a northern Kosovo village, adding urgency to negotiations to free eight soldiers held by ethnic Albanian rebels. Nato secretary-*general Javier Solana urged both* sides to show restraint.

Kazakh leader set to win
President Nursultan Nazarbayev looked set to win another seven *years as Kazakhstan's president,* though foreign observers refused to monitor the vote after serious pre-election violations. **International, Page 8**

Cubans spurn US moves
Cuba dismissed US moves to modify some sanctions against it as "crumbs" really intended to undermine communist rule. José Luis Rodríguez, Cuba's economy minister, said Havana was not in the habit of accepting such offers. **International, Page 8**

Inspectors 'unlikely to go back'
Controversial reports that the US used UN weapons inspectors as a cover for spying in Iraq have made it even more unlikely that the inspectors will return to the country, say UN and US officials. ***International, Page 8; A question of force, Page 14***

Nuclear talks make progress
Talks between Washington and New Delhi on India's nuclear weapons programme *are making* progress, according to a State Department official, with agreement closer on further testing and export controls. **International, Page 6**

China set for huge mine closures
China, the world's largest coal producer, plans to shut 25,800 mines this year and cut output in a bid to curb overproduction and losses. The move is expected to cause some 400,000 redundancies and halve the industry's losses. **International, Page 6**

Death squads terrorise Colombia
Twenty-seven churchgoers were among the latest victims of Colombia's rightwing death squads. Gunmen entered Playon de Orozco village, produced a list of their victims, dragged them from church and shot them dead.

India to set up new navy command
India plans to set up a new naval command in the Bay of Bengal, apparently to block *China's* reported surveillance in the region, defence minister George Fernandes was quoted as saying.

Indonesian landslides kill 42
Landslides have killed at least 42 people on two Indonesian islands. Seven died on Java while the toll on Bali rose to 35.

Vladivostok's mayoral muddle
A *court scrapped planned may*oral elections in the far eastern Russian city of Vladivostok. The hearing was supposed to resolve a conflict which leaves three people claiming to be mayor.

BUSINESS NEWS

Brussels fears high bank charges could undermine euro

The European Commission is to examine bank charges in the euro-zone because it fears excessive commissions for conversions between Europe's former currencies could undermine public confidence in the euro. Page 16

Clearnet, *the clearing house owned by the French stock exchange*, is to compete head on with the London Clearing House for supremacy in Europe's government bond markets. **Page 17**

Vickers and Giat, Britain's and France's only *manufacturers of* main battle tanks, are discussing a strategic partnership which would be an important step towards *rationalising* Europe's armoured vehicle industry. **Page 17**

Zeneca, the UK pharmaceuticals group that is merging with Astra of Sweden, has narrowed the list of potential buyers for its special*ity chemicals division to BASF* and Bayer, both of Germany, and Rohm & Hass of the US. **Page 18**

UniCredito Italiano, Italy's largest *bank in terms of stock market* capitalisation, will see a power struggle over management control and international alliances come to a head today at a shareholders meeting to elect a new board. **Page 17**

German banks' payment errors combined with the actions of Germany's Bundesbank last week to siphon much of the liquidity in the euro into Frankfurt, leading private sector bankers said. Payment volumes were larger in D-Marks than in the rest of the euro-zone put together. ***Europe, Page 2***

Fortis, the Belgo-Dutch financial group, is to launch a scaled-down version of an international equity issue withdrawn last Octo*ber when market conditions* turned against it. **Page 19**

Vodafone's chances of succeeding in its $55bn offer for AirTouch increased significantly over the weekend as *MCI* WorldCom, the US fixed-line operator, said it had decided against making a bid "at this time". **Page 17**

Unexpectedly high volumes in its *first week of operations have* prompted the Euro Banking Association to consider raising credit limits for its euro settlement system. **Page 2**

***The US steel** industry will continue* to press Congress for worldwide quota protection from dumping as Asian steel is diverted to North America and western Europe. **World trade, Page 4**

Turkish authorities face fierce criticism for bailing out one of Turkey's oldest commercial banks under a deposit insurance scheme designed to protect small investors. **International, Page 3**

Texaco is to take special charges of about $350m on fourth-quarter earnings as it joins other leading oil companies in laying off workers and writing down *the value of* oil and gas holdings. **Page 20**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 31

Fiat confirms its interest in Volvo as shares in both rise

By Paul Betts in Milan, Haig Simonian in London and Tim Burt in Stockholm

Volvo, the Swedish automotive group that is considering its strategic options, is holding talks with Fiat in a move that could mark a further consolidation of Europe's motor industry.

Italy's Agnelli family, which controls 30 per cent of Fiat, said at the weekend that the industrial group was also negotiating with other unspecified car companies on possible tie-ups.

"There are in effect talks with Volvo," said Umberto Agnelli, chairman of the IFIL industrial holding group and younger brother of Giovanni Agnelli, Fiat's honorary chairman.

With the motor industry facing chronic overcapacity and declining profit margins, carmakers have been in ferment since Daimler-Benz and Chrysler merged last year. The creation of DaimlerChrysler has triggered speculation that further consolidation is inevitable.

Mr Agnelli's statement comes after a surge in the share prices of Volvo and Fiat following reports that the companies might be in talks. Volvo has also received approaches from Volkswagen and Ford.

Volvo is widely seen as the most vulnerable of Europe's carmakers because of its relatively small size and high costs. The car division, its largest business, has been valued by analysts at up to SKr45bn ($5.7bn).

The announcement last week that Volvo had appointed J.P. Morgan, the investment bank, to advise on strategic options for its car subsidiary – including disposal – prompted speculation that a final decision on the car division's sale or on a full-scale merger of the entire Volvo group had come closer.

Volvo declined to comment yesterday on the extent of its discussions with *Fiat*. People close to the talks warned there could be no assurance that a deal – whether an outright sale, merger or manufacturing joint venture – would be completed.

Industry analysts in Stockholm say negotiations could *founder* on valuing the Volvo brand, particularly if only the car and trucks operations are part of any transaction. Such a deal is also expected to be strongly opposed by Volvo's powerful unions.

Mr Agnelli said Fiat was in talks with "two or three" other parties. Fiat's caution stems partly from its embarrassment in 1989 when what it believed was a deal to buy into Saab, Sweden's other carmaker, collapsed, with General Motors emerging as the successful bidder.

"If an alliance comes with the right terms, with a clear industrial and financial plan, then it is welcome. Otherwise Fiat will play its own cards," said Mr Agnelli. But most analysts believe the Italian group is coming under mounting pressure to *forge an alliance with a leading* carmaker to improve meagre profit margins in its car sector.

Fiat and Volvo are highly complementary in products and geography. Fiat's mainly small cars mesh well with Volvo's executive models.

SANTER SEEKS TO DIVERT MOVE TO CENSURE EXECUTIVE OVER MISMANAGEMENT CLAIMS

EU parliament to consider sacking commissioners

By Neil Buckley in Brussels

Jacques Santer, European Commission president, faces the biggest test of his political career today as he seeks to persuade the European Parliament not to back a censure motion that would sack all 20 European commissioners.

This is only the fourth time since direct elections to the parliament began in 1979 that MEPs have threatened a censure – the ultimate, and only official, sanction parliament has against the Commission, the European Union's Brussels-based executive.

There are fears inside the Commission that the motion could achieve the "double majority" it needs to be passed – half of all MEPs and two-thirds of votes cast – or at least attract enough support to seriously damage to the executive.

A defeat for the Commission, which runs day-to-day EU policy, in the censure vote on Thursday could plunge the EU into chaos, threatening the timetable for reforms designed to prepare the Union for eastern enlargement.

The censure moves were triggered after parliament voted last month against signing off the EU's 1996 accounts – in effect questioning the Commission's financial competence – after allegations of mismanagement and fraud in EU programmes.

All 20 commissioners will sit before parliament in a pre-vote debate in Strasbourg tonight.

Mr Santer is expected to call for a new code of conduct covering both commissioners and officials throughout the executive, including rules on how commissioners should make appointments to their personal offices, or "cabinets". He will seek "common ground" with MEPs in tackling fraud in all EU institutions.

The Commission president is expected to be more contrite than at a press conference last week. He insisted then that commissioners would press on if the censure motion failed, even if more than half of MEPs supported it.

But he is expected to reject demands from some MEPs that he should sack commissioners whose programmes have come in for heaviest criticism – notably Manuel Marin, commission vice-president, and Edith Cresson, the former French premier.

EU governments are understood to be pressing MEPs not to censure the executive.

But Wim Kok, Dutch prime minister, suggested this weekend it would be "difficult" for commissioners to carry on if a majority of MEPs backed non-binding resolutions calling for their resignation.

The political climate in Brussels became fevered last week after it emerged that the Commission suspended a "whistle-blower" who leaked allegations of mismanagement to the parliament and the Court of Auditors, the EU's spending watchdog.

Jacques Santer: expected to call for a new code of conduct

Cresson hits back, Page 2

Republicans outline case against Clinton

By Richard Wolffe in Washington

Republican congressmen have outlined the prosecution case against President Bill Clinton as they prepare for their opening statements in the impeachment trial in the US Senate this week.

Prosecutors from the House of Representatives said their "most compelling and chilling" case centred on the charge that President Clinton obstructed justice in an attempt to hide his affair with *Monica Lewinsky, the former* White House intern.

Republicans also said they wanted to hear evidence from any other women who have alleged improper sexual relations with the president.

The 13-strong prosecution team aims to argue that Mr Clinton has repeatedly attempted to obstruct justice to cover up extramarital affairs. In particular, they will cite the president's role in shaping Ms Lewinsky's false affidavit in the Paula Jones sexual harassment case.

The White House will today file a legal motion that is expected to include an executive summary of its defence case. White House lawyers are due to present their full opening arguments to the senate next week after the Republican prosecution begins on Thursday.

Lindsey Graham, a South Carolina Republican, one of the 13 prosecution "managers", told NBC television it was vital to call a series of witnesses, including Ms Lewinsky.

Republicans say they want to hear direct evidence from Betty Currie, the president's secretary, about Mr Clinton's alleged attempts to shape her testimony about the affair.

They also want to call Vernon Jordan, the president's close confidant, about his involvement in a job search for Ms Lewinsky in an alleged effort to secure her silence.

Senators have proved reluctant to decide whether to hear directly from witnesses in the impeachment trial, and have deferred voting on the issue until proceedings are under way.

Tom Daschle, the Democratic leader in the Senate, said that senators already had access to 60,000 pages of evidence and that witnesses such as Ms Lewinsky would not add "one iota" of fresh information.

Blow to China as Gitic debt revealed

By Louise Lucas in Hong Kong and James Harding in Shanghai

Foreign banks lending in China suffered a setback yesterday when administrators for a failed Chinese investment company told creditors that the *outstanding* debts were double original estimates and dismissed hopes of prompt and full repayment.

Bankers called to a restaurant in a southern Chinese city to discover the fate of the money they lent to Guangdong International Trust and Investment Corporation (Gitic), were told that the company had debts of $4.37bn, *double market expectations and* nearly twice its assets.

Gitic, which was backed by the government of the prosperous Chinese province of Guangdong and borrowed extensively from foreign banks to fund infrastructure and real estate projects, will file for bankruptcy, signalling that some debts may not be repaid. Creditors' hopes of repayment faded further as Guangdong officials appeared to backtrack on earlier comments that foreign lenders would have priority.

"Someone has to be accountable for this," said a creditor. "No one could have estimated the problems in this institution."

Bankers' concerns focused on the gap between Gitic's RMB21.47bn assets and RMB36.17bn liabilities which, they said, far exceeded the figures they saw earlier.

"It's a bit disappointing," said *another lender whose rough* calculation suggested a repayment of 60 cents in the dollar.

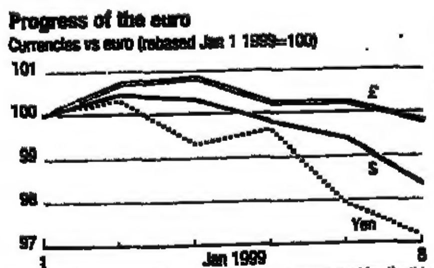
The handling of the liquidation process of one of China's most prominent, failed financial institutions is likely to add to the disquiet among foreign banks lending in China.

The abrupt closure in October of Gitic has already rattled foreign investors. In the wake of the company's collapse, many international banks called in credit and refused to extend loans to other international trust and investment companies, known as *the Itics. The banks feared that* the incompetence and corruption that proved the downfall of Gitic was present in many other Itics.

Beijing intended the closure of Gitic to signal its resolve to clean up its troubled financial institutions and many international investors still have confidence in the long-term prospects for China. But banks have become much more cautious about lending to Chinese businesses and investment companies after Gitic's collapse.

Lenders to Gitic, which have spent the three months since October 6 registering their loans and accompanying official loan approvals, were told yesterday they must re-register all debts within three months, extending the period of uncertainty that *has surrounded the institution's* closure.

Progress of the euro
Currencies vs euro (rebased Jan 1 1999=100)



Euro exchange rates

Dollar	1.1553
Yen	128.7418
Sterling	0.7043
Swedish krona	9.1501
Danish krone	7.4459
Greek drachma	322.882
Swiss franc	1.6127

The euro made a tentative start, with few large trades disturbing the thin markets. A few settlement scares and a stronger outlook for US interest rates gave it a couple of knocks against the dollar.

Euro prices, Page 25

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone single price €2.75. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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PAYMENT ERRORS GERMAN BANKS FAILING TO TRANSFER MONEY ABROAD AS INSTRUCTED

Euro liquidity bottled up in Frankfurt

By George Graham, Banking Editor

Payment errors by leading German banks combined last week with the actions of the Bundesbank to siphon much of the liquidity in the euro into Frankfurt, leading private sector bankers said.

Flows of the new European currency were always likely to be larger in Germany than elsewhere. Payment volumes were larger in D-Marks than in the rest of the euro-zone put together.

But bankers said the way some of the big German banks had handled payment instructions last week had left more euros bottled up in Frankfurt than they had wanted, in some cases losing them money as they had to finance cash shortfalls in other centres. Instead of transferring money as instructed to another country, half a dozen large banks – mostly German but some Dutch and US – were simply crediting it to the recipient bank's account with them in Frankfurt. "We have had problems getting money out of Frankfurt this week," said a senior executive at a European bank.

LAUNCH OF THE EURO

In addition, the requirements imposed by the Bundesbank on banks tendering through it for euros in the European Central Bank's (ECB) regular refinancing operations have been much more restrictive than those set by other national central banks and have tied up liquidity in Frankfurt.

The Bundesbank's requirements do not appear to irk the German private sector banks, which are used to them from the old D-Mark tenders and whose balance sheets tend to have surplus euro liquidity. For banks that are short of euros, however, they impose a considerable financing cost.

The problems with payment instructions are expected to clear up this week, after urgent meetings among the top international banks and foreign exchange traders in London last week and a message broadcast to all banks on Friday reminding them of the right way to handle instructions.

But the operations of the Bundesbank are still expected to cause difficulties for banks in other countries.

Many private sector banks are critical of the Bundesbank's connection to the Target system, the real-time gross settlement network run by the ECB that links national payments systems and is expected to handle most high-value, cross-border euro payments. Though several central banks had difficulties last week, contributing to repeated delays in Target's closing, many single out the Bundesbank for the slowness of its processing – critical because of Frankfurt's dominance of euro payments volumes.

Euro settlement credit limits may be raised

Unexpectedly high volumes in its first week of operation have prompted the Euro Banking Association to consider raising credit limits for its euro settlement system, **George Graham writes.**

Gilbert Lichter, EBA secretary-general, said payments through EBA climbed through the week and on Friday the system handled 34,000 payments worth €182bn ($215bn). This was much higher than forecast, even though many banks were only putting interbank payments through EBA last week and were not expected to start using the system for payments on behalf of their corporate customers until this week.

Member banks are currently limited to a maximum credit or debit balance during the day of €1bn, but Mr Lichter said this might have to be raised to €1.5bn.

"With the number of payments we are seeing and the very large amounts per payment we are starting to think that the €1bn band is too narrow," he said.

But some EBA members say it is too early to draw conclusions about the pattern of payments after the euro has been in existence for just a week. Transfers resulting from foreign exchange trades conducted on Monday started to show up in the payments system only on Wednesday.

Shunning currency 'harms London's standing'

By Kevin Brown, Industry Editor

Only 5 per cent of companies in the City of London back the opposition Conservative party's policy of staying out of the European single currency until two more general elections have been held, according to a study published today.

Many think the UK's decision not to join the euro from its launch at the beginning of this month will hit employment and damage London's international standing.

The study, by City Research Associates for KPMG, the professional services firm, suggests that support among UK-based financial services companies for UK participation in the euro is strengthening, and adds weight to calls by senior business leaders for the government to set a target date for entry.

It suggests that business opinion is increasingly diverging from the line of the Conservative party, with which business has been traditionally aligned. The party's policy has also been rejected by the Confederation of British Industry and the British Chambers of Commerce. However, many individual businesses remain opposed to early UK participation, as does the Institute of Directors.

The survey found that 9 per cent of City companies thought the UK should have participated in the euro when it was launched in 11 European Union countries. A further 41 per cent said the UK should enter in January 2001, and 30 per cent more wanted to enter in the next parliament.

The survey showed substantial concern about the impact of UK exclusion from the first wave: 40 per cent said the City would lose jobs, while only 8 per cent forecast more jobs, and 43 per cent said there would be no impact. Forty-nine per cent said the City would be less attractive to overseas investors, and 22 per cent thought it would be more attractive.

The survey also suggests that pro-euro sentiment hardened as the euro became a reality: 51 per cent said they had become more favourable to UK participation in the last six months, and 11 per cent said they had become less favourable.

The main reasons for greater enthusiasm were that membership had become inevitable (27 per cent), respondents had more knowledge about the euro (38 per cent), its advantages had become apparent (22 per cent), it was better to be in than out (13 per cent), and the need to remain competitive (9 per cent).

City Research Associates surveyed 200 companies employing nearly 150,000 City workers in November.

Football for free as Gil is held in fraud inquiry

By David White in Madrid

A Spanish first division soccer match provided the scene for a defiant show of support last night for Jesús Gil y Gil, the controversy-prone businessman and self-made politician who was remanded in custody last week during a fraud investigation.

Madrid's Atlético club gave away free tickets for a home league tie at its stadium to get a capacity crowd of 59,000 in a gesture of sympathy for Mr Gil, the club's chairman and majority shareholder.

Mr Gil, 65, who is also mayor of Marbella, the Costa del Sol's wealthiest resort, faces allegations of illegally siphoning town council funds into the club's coffers.

In a surprise move last Thursday the Marbella investigating magistrate exercised his powers to detain Mr Gil without bail on charges of misappropriation, misconduct and falsification, arguing that this would prevent him destroying evidence.

Mr Gil retorted by alleging political motives ahead of local elections in June. His party, Independent Liberal Group, named to form the Spanish acronym Gil, dominates Marbella's council.

A colourfully large and pugnacious figure of pronounced rightwing views, famous for running Marbella with an iron hand, Mr Gil plans to extend his power base to Spain's North African territories, Ceuta and Melilla.

Charges by a special anti-corruption prosecutor involve Pta450m (€2.7m, $3.2m) of sponsorship payments allegedly made to the club for the first two seasons after Mr Gil became mayor in 1991, in exchange for advertising Marbella on players' shirts. The magistrate is also investigating whether Marbella funds were used to buy players.

Thousands of Mr Gil's supporters marched in Marbella on Friday evening and busloads went to demonstrate outside the jail on Saturday with banners reading: "Gil, political prisoner".

I will not be a human sacrifice, insists Cresson

By Neil Buckley

As a former prime minister of France, Edith Cresson is used to taking the political heat. But even she may rarely have experienced it as hot as this before.

Alongside Manuel Marin, Spanish vice-president of the European Commission, she is one of two commissioners whose resignation is being demanded by some European parliament groups as an alternative to the "nuclear option" of backing a censure motion that would sack all 20 commissioners.

Cresson: 'disgusted'

MEPs say both should take responsibility for alleged shortcomings in programmes for which they were the commissioners responsible.

In meetings with journalists late last week, Mrs Cresson insisted she had done nothing wrong and would not resign. She told Reuters she was "sickened" by a vindictive personal campaign against her.

"We're coming up to [European parliament] elections and I think there is a desire for human sacrifices. But it's not that serious," she added. "This campaign is sickening, that's clear. I'm disgusted by it, but I am not in the habit of giving in to these intimidation tactics."

Mrs. Cresson is most remembered in France for her 321-day stint as prime minister in 1991-92. Elsewhere, she is perhaps best known for her suggestions that one in four British men is homosexual and the Japanese are a nation of "ants".

Pugnacious, direct, but with great resources of charm, Mrs Cresson was nominated as a commissioner in 1994 as reward for her loyalty to President François Mitterrand.

Mrs Cresson would have liked one of the big-ticket portfolios such as trade or competition, but had to settle for the lower-profile, if big-budget, field of education and research and development.

Her outspoken style has not always made her popular with colleagues. She has never regarded Brussels as home, spending most weekends in Paris or Châtellerault, the small town south of Tours of which she was mayor from 1983 to 1997.

The draft resolution put forward by parliament's third biggest group, the European Liberal Democrats, does not suggest any personal wrongdoing by either Mrs Cresson or Mr Marin.

But it says Mrs Cresson should take political responsibility for alleged poor administration within Leonardo, a programme to support vocational training projects in the EU, found by the Commission's financial control unit. Mr Marin, it says, should take responsibility for cases of misuse of funds in 1993-95 in Echo, the humanitarian aid office.

Mrs Cresson insisted last week that any minor management problems in Leonardo had been rectified, and that "no fraud has been detected" even by Uclaf, the Commission's fraud investigation unit. Mr Marin also denies any personal wrongdoing or link with the problems in Echo.

Russia reform 'destabilisation' alleged

By Andrew Jack in Moscow

The former head of Russia's central bank yesterday accused senior state officials who have alleged corruption within the institution of a political destabilisation campaign designed to undermine the country's economic reform programme.

Sergei Dubinin, who resigned as governor in the wake of the August financial crisis, said Yuri Skuratov, chief public prosecutor, had joined forces with extremist Communists and nationalists who wanted to "return to the rigid economy of the past".

Mr Skuratov is co-ordinating a wide-ranging official inquiry into allegations of corruption at the central bank and other government departments that Sergei Stephasin, the interior minister, last month said could involve more than $1bn.

Mr Dubinin said Mr Skuratov had joined the "opposition" forces which "have always wanted to do away with the central bank as an independent institution. [The bank] has always been a sore in the eye of those who want to solve all the economic problems of the country by administrative measures," he said.

Mr Dubinin, who is now deputy chairman of the executive board of Gazprom, the Russian utilities giant, said the only detailed allegations he was aware of involved a handful of individuals and only small sums of money.

He stressed there was no suggestion that he personally was under suspicion. He also said central bank colleagues had told him there were no allegations of mismanagement or breaches of the law in a separate report currently being finalised by the state Auditing Chamber, the parliamentary watchdog of public expenditure.

Mr Dubinin's statement comes as Russia struggles to regain the confidence of financial backers and to win new support from the International Monetary Fund. Its 1999 budget, strongly criticised for running a deficit even on optimistic assumptions, is unlikely to be finally approved by parliament until next month. Many experts expect high inflation during the year to make good the shortfall.

The Ministry of Finance yesterday denied reports in Russian newspapers that it was in default on debts and that the country's assets held abroad risked being confiscated.

NEWS DIGEST

TURKISH POLITICS

Army warns it may close down Islamist party

Turkey's powerful armed forces warned at the weekend they might close down Virtue, the Islamist party which is the largest group in parliament, claiming it posed a threat to democracy.

The threat was followed by an announcement by Bülent Ecevit, leader of the Democratic Left party, one of the country's squabbling secular parties, that he was putting the "finishing touches" to an interim cabinet to run the country until elections scheduled for April 18.

The army has expressed growing disquiet over the past 1½ months as secular parties have failed to agree a coalition to replace that of Mesut Yilmaz, who was ousted as prime minister in a no-confidence vote. The latest statement by the military, which forced Turkey's first Islamist-led coalition to resign in 1997, was the closest it has come to warning it could intervene again.

"Our democracy will be strengthened if political formations that would destroy democracy by abolishing secularism are banned," said a pamphlet distributed to Turkish media. "No democracy would be obliged to allow a political formation that uses democratic means to destroy it." **Leyla Boulton, Ankara**

THREAT TO BASQUE PEACE

Bomb injures Civil Guard man

A Spanish Civil Guard paramilitary policeman was injured in a petrol bomb attack yesterday morning, in a series of violent incidents which threaten to obstruct the embryonic peace process in the Basque region.

The attack, in the industrial town of Eibar, was the second against Civil Guard premises in the last few days. The government sees the upsurge of street violence as a deliberate tactic by Eta, the outlawed separatist organisation, to maintain tension despite its ceasefire decision last September, halting its 30-year campaign of assassinations.

Yesterday's incident followed a march by 100,000 people in Bilbao on Saturday to demand more lenient treatment for Eta members held in jails around Spain. The protest was the first for more than 20 years to be organised jointly by the various factions of Basque nationalism, although the region's new all-nationalist government declined to give formal backing. **David White, Madrid**

SETBACK FOR GREENS LIKELY

German budget outline agreed

The German Finance Ministry said at the weekend that the outlines for a revised 1999 budget had been agreed with departmental ministers.

The outline, which will be presented to the cabinet on January 20, is likely to mark a setback to the Green party, junior partners in Chancellor Gerhard Schröder's Social Democrat-led coalition, as funds for the promotion of renewable energy will be lower than originally expected.

Gunda Röstel, co-chairman of the Greens, called on Oskar Lafontaine, finance minister, to remember the government's commitment to boosting renewable energy, and restated her party's backing for an increase in fuel taxes.

The timetable and conditions for phasing out nuclear power have sparked the most serious row within the government since it took office last October. On Wednesday senior members from the SPD and Greens are due to meet in Berlin to try to resolve their disagreements on the issue. **Frederick Stüdemann, Bonn**

CHAVEZ BEGINS EUROPE TRIP

Venezuelan debt talks

President-elect Hugo Chávez will seek to refinance Venezuela's foreign debt obligations during a week-long trip to Europe beginning in Spain today.

"Our social and economic situation is very serious. We will discuss with heads of state, bankers and some Paris Club creditors the urgency of restructuring the foreign debt so as to attenuate debt payments, which make up nearly 40 per cent of this year's budget," Mr Chávez said.

Mr Chávez said his government would seek to renegotiate even that part of the estimated $24bn in foreign debt that was already restructured: "We will talk to those investment banks holding Venezuelan debt." The idea was to issue long-term bonds to replace debt maturing in the short term, he added. **Raymond Colitt, Caracas**

SIERRA LEONE FIGHTING

Attack on rebels planned

A Nigerian-led intervention force in Sierra Leone yesterday geared up to counter-attack rebels, ferrying fresh troops by helicopter towards the front line in the capital, Freetown.

As West African governments stepped up mediation to stop the fighting in the shattered city, Sierra Leone's beleaguered government boldly predicted the Ecomog force would drive out the Revolutionary United Front (RUF) rebels. Ecomog – an overwhelmingly Nigerian force of at least 15,000 men – was caught napping when rebel fighters flooded into Freetown last Wednesday. Witnesses said hundreds of reinforcements for Ecomog had arrived overnight at the international airport at Lungi, where the force has its main base.

Aid workers were worried that food and water for hundreds of thousands of civilians trapped in the city by the fighting was fast running out. Electric power and telephone lines were cut. **Reuter, Freetown**

Anger at Turkish bank bailout

By Leyla Boulton in Ankara

Turkish authorities face fierce criticism for bailing out one of Turkey's oldest commercial banks under an insurance scheme designed to protect depositors' savings.

The central bank savings insurance fund said on Friday it was taking over Interbank, which last year had assets of TL332,250bn ($1.25bn), to ensure continuing public "confidence" in the medium-sized bank. But it gave no details of Interbank's problems, which analysts ascribed in part to its exposure to Turkey's crisis-stricken textile industry.

The bank was owned by Nergis, a textile conglomerate with media interests. The deposit insurance scheme, introduced after a handful of banks collapsed in 1994, covers all customer deposits. But the system has been blamed for encouraging reckless borrowing and lending practices by banks which know the government will pick up the pieces if they run into trouble.

Erol Sabanci, head of Akbank, one of Turkey's biggest private sector banks, will today protest that the rescue undermines fair competition in the banking industry. Akbank said yesterday that compensation should be limited to small depositors and Interbank should otherwise be liquidated.

In contrast, a spokesman said, the central bank's takeover would mean full compensation, at taxpayers' expense, even for banks and companies that had done business with Interbank at high interest rates, reflecting their awareness of the risks they were taking.

Bülent Ecevit, prime minister-designate, recently accused Turkish banks of irresponsible behaviour. He says he will make parliamentary passage of much-delayed legislation tightening up the regulation of banks a priority if he succeeds in putting together a new government this week.

Many banking experts expect further trouble in the sector as Turkish banks wrestle with the consequences of economic slowdown and a squeeze on international borrowing which is affecting most emerging markets. Erhan Ersöz, a Turkish banking consultant, yesterday said the crisis could spread to "20 or 30" of Turkey's 75 banks.

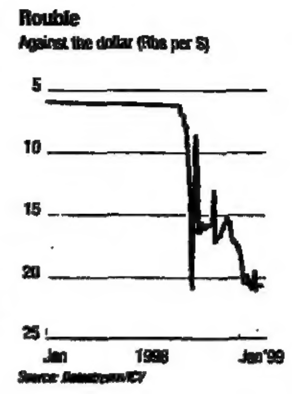
Analysts say the industry suffers from too many banks, a lack of transparency, the government's failure to privatise unhealthy state-owned banks, and too close links between industrial conglomerates and the banks they own.

Mr Ersöz said the new legislation would introduce some discipline to the sector but was not a substitute for badly needed restructuring.

Moscow mystery of missing $4.8bn

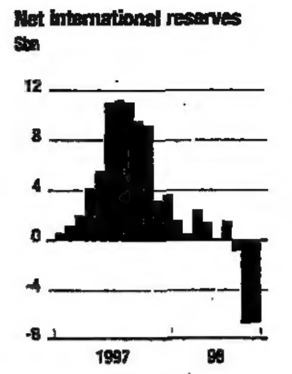
Andrew Jack on cries of corruption and Stalinism over central bank's problems

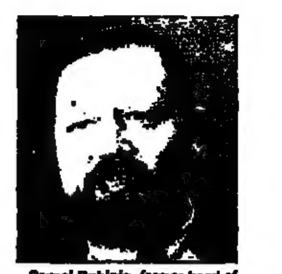
Rouble
Against the dollar (Rbs per $)



Source: Datastream/ICV

Net international reserves
$bn





Sergei Dubinin, former head of Russian Central Bank

The giant thermometer on the facade of the Russian central bank in Moscow may be hovering at zero this week, but the inside temperature has been far hotter in the wake of allegations of misuse of more than $1bn by the institution.

When Sergei Stepashin, interior minister, announced late last month that he was broadening investigations into supposed wrongdoings entailing "enormous losses", he added a new scale to criticisms against the bank that have been growing over recent months.

But he also invoked the ire of many within and outside the institution, who see the allegations as the latest elements in a long-running destabilisation exercise and an attempt to seek convenient scapegoats for the decisions made during Russia's financial crisis in August.

In the wake of the crisis, the Auditing Chamber, which is responsible for scrutinising the use of public funds, quickly launched an investigation, and Sergei Dubinin, governor of the bank, resigned. But Mr Dubinin argued in an interview this week that the inquiry had taken a "traditional Soviet approach" in attempting to find someone to answer before the justice system. "It's a Stalinist process to find the enemies of the people."

At the centre of concern is the evaporation of $4.8bn in the two weeks up until the August crisis, when Russia simultaneously devalued the rouble and defaulted on its debt. That corresponded to the first instalment of a loan made in late July to Russia by the International Monetary Fund.

Officials say $3.8bn was consumed from central bank reserves in trying to prop up the rouble as it came under pressure when investors began withdrawing large sums from the Russian market. The remaining $1bn was transferred to the Ministry of Finance to repay government bonds because tax revenues ear-marked to provide reimbursement had dried up.

For Andrei Illarionov, an economist and long-standing critic of the central bank, the sums spent on supporting the rouble represented "pure subsidies to major commercial banks to enable them to pay back credits... siphoned out of the pockets of the Russian taxpayers and into the pockets of the corresponding banking and financial institutions".

Proving corruption is another issue, however. In spite of the multitude of bodies now working on the investigation – from the FSB (successor to the KGB) and the public prosecutors' office to the Auditing Chamber – concrete allegations against the central bank are so far scant.

The public prosecutor has provided details of just three cases: the misuse of cash advances on expenses by central bank employees: irregularities in issuing credits and licences; and suggestions of insider trading related to the issue of government bonds. Mr Dubinin argues that the limited number of people under suspicion and the sums involved are on far too small a scale to explain the August crisis with which they have been "artificially tied".

Some officials criticise the central bank's transfer of $1bn to the Ministry of Finance. Mr Dubinin says he followed all the necessary procedures and the IMF approved the decision, although he criticises the "illegal" failure of the government to reimburse the money.

While there may well have been misdeeds at the central bank, it also has many enemies who have wasted no time in exploiting any weak points to the full. The Communist-dominated parliament has long been angered by the formal political independence of the institution, which was enshrined in legislation in 1995.

The Auditing Chamber, which has promised further revelations about the central bank soon, is itself accountable to parliament. It is also currently locked in a power struggle with the bank in efforts to gain greater powers to scrutinise its books.

The central bank has sparked envy over the relatively high salaries paid to its staff – as well as perks including opulent offices, chauffeur-driven cars and the use of country retreats or *dachas*.

Mr Dubinin says the employment conditions were introduced by his predecessors, precisely to prevent corruption and to motivate high-quality professionals to work at the bank when they could have earned more in the private sector.

Ironically, the perks were introduced in the early 1990s when Victor Gerashchenko was head of the bank. He has since been re-appointed, following Mr Dubinin's resignation. The fact that the Interior Ministry says the inquiry now extends back as far as 1992 may prove a warning of the intense political pressures he is likely to face during the difficult months ahead.

LEGAL NOTICE

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GENERAL COMMUNITY SERVICES PLC
AND IN THE MATTER OF THE INSOLVENCY RULES 1986

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WASTE MANAGEMENT INTERNATIONAL PLC
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(In Liquidation)

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Dated December 30 1998
FINBARR O'CONNELL Liquidator

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Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maravigila, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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DUMPING CLAIMS CLINTON UNDER FIRE FOR OPPOSING CONGRESSIONAL PRESSURE FOR QUOTAS

US steel demands quota protection

By Nancy Dunne in Washington

The US steel industry will continue to press Congress for quota protection from dumping, although President Bill Clinton's impeachment trial is expected to slow any action in the Senate.

Mr Clinton stood firm against the introduction of quotas in a plan submitted to Capitol Hill last week, drawing strong bipartisan criticism from Congress.

A spokesman for the powerful 40-member Senate steel caucus said momentum for new legislation had been building. Massive rallies have been held across the midwest and television advertisements exhort Americans to "Stand Up for Steel".

The pressure on the White House grew more intense as steel-using companies mounted their own attack against voluntary restraint arrangements (VRAs). Donald Fites, Caterpillar chairman, warned in a letter to Mr Clinton that quotas were "a particularly insidious form of protection". Shortages induced by quotas during the 1980s came perilously close to shutting down the company's largest plant while it waited six months for a short-supply licence for a type of steel not produced in the US.

Senator Robert Byrd, a West Virginia Democrat who is playing a leading role in the impeachment proceedings, accused the president of "taking baby steps when leaps and bounds are needed".

Senator Jay Rockefeller, the other West Virginia Democrat, said the president was more concerned about "the global economic effect of taking action on steel than protecting suffering American workers".

There is no question that the US industry has been hurt. Three of the smaller producers have gone bankrupt. Seven thousand workers have received notice of lay-offs and 20,000 are working reduced hours. In volume terms, imports rose by 49 per cent between July and October 1998 over the same period in 1997, while exports plunged by 20 per cent.

But some analysts believe conditions might be improving.

The industry's largest customers, in the housing and vehicle manufacturing sectors, are expected to generate healthy demand this year, in response to lower interest rates.

While shipments in the third quarter of 1998 fell from 1997 levels, average prices were not much lower last year than the previous year, according to the reports filed by large companies with the Securities and Exchange Commission.

Although Mr Clinton chose to stand up to steel, rather than for it, pressure on the White House will continue as vice-president Al Gore continues to seek labour support in his campaign to be elected president in 2000.

"The administration has an obligation to stick up for the workers in this country and not just give our jobs away," said George Becker, head of the steelworkers' union.

Disputes threaten as world overcapacity distorts trade

Demand in Asia has collapsed after months of financial turmoil, leaving exporters desperate for market share. **Kevin Brown, Deborah McGregor and Michiyo Nakamoto** report

In the world of steel it pays to be tough. Making the product is a hot and dirty process. So, increasingly, is staying in business.

In Washington, Brussels and Tokyo steelmen and their friends in government are facing up to growing tensions over steel that appear close to breaking into a trade war.

The root cause is the collapse of demand in Asia following the economic crisis that has gripped the continent. As Asian consumption falls, local steel is being diverted to western Europe and North America.

Meanwhile, European producers, which used to export to Asia, are diverting to the US, and African and east European mills are selling wherever they can.

This distortion of trading patterns pushed up imports in both the US and the EU by 50 per cent or more in 1998. When the final figures are in, last year will be first year in which the EU has been a net importer of steel.

MEPS, a UK steel consultancy, says that average prices for hot rolled coil steel, a benchmark product used to make industrial products, fell from more than DM650 ($390) a tonne at the beginning of last year to less than DM525 in September.

Big losses are likely to start piling up. British Steel, one of the world's most efficient big steelmakers, has already forecast a loss for 1988. Paribas, the Paris-based broker, says that Germany's Salzgitter, Belgium's Arbed and many others will also lose money.

Steel producers have not stood idle in the face of decline.

Japan reduced output by about 12 per cent last year, and Europe will produce about 7 per cent less this year. But this is far too little to overcome global overcapacity.

So the industry's mind is increasingly turning to protection. Taiwan started the process in June with anti-dumping duties against cheap H-beam imports, used in construction.

India followed in November with duties on cheap products from Russia, Kazakhstan and Ukraine. Chile and Brazil are considering anti-dumping measures. But the big threat to trade lies in Washington and Brussels.

A campaign by US producers attracted substantial congressional support at the end of last year, and prompted a White House rescue package last Thursday.

The Clinton administration offered $300m in tax breaks to help US companies stay in business, and claimed that Japan was ready to implement voluntary restraints on exports. The administration is also investigating formal anti-dumping cases against Japan, Russia and Brazil.

Key administration officials, led by Robert Rubin, the powerful treasury secretary, have argued firmly against tough unilateral action because of the danger of upsetting the delicate economies of Asia and angering trading partners.

However, the moves failed to satisfy congressional backers of the steel producers. "You have a steel industry haemorrhaging with the flooding of our markets with foreign dumped steel, causing the loss of thousands of jobs, and the administration is applying a small Band-Aid," said Republican senator Arlen Specter, chairman of the Senate steel caucus.

Most analysts think prices will rise towards the end of this year as imports level off because of a predicted Asian recovery

The US package also angered both the Japanese and Europe. Tokyo vehemently denied that it had agreed voluntarily to reduce steel exports to the US, and the European Commission said it would look at the terms of the tax breaks.

European producers said the tax breaks amounted to a subsidy which probably breached World Trade Organisation rules. However, Eurofer, their trade association, said it would not bring an anti-subsidy case for the time being to avoid aggravating tensions.

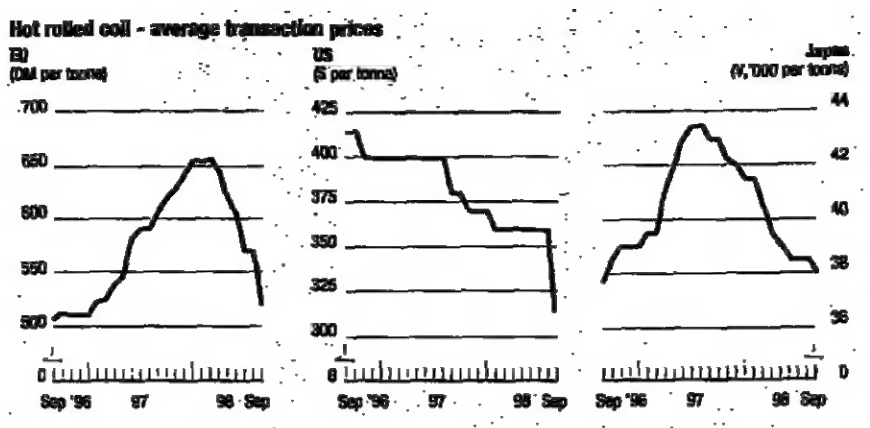
At the same time the Commission decided to start formal investigations into Eurofer's complaints of dumping of hot rolled coil by several Asian and east European countries.

Eurofer is also planning further anti-dumping complaints by the end of January against heavy plate and wire rod imports from countries including China, India and Turkey. Both steels are used in construction.

The danger is that tit-for-tat protection will end in a full-scale trade war. But there is light at the end of the tunnel. Most analysts think that prices will rise towards the end of this year as imports level off because of a predicted Asian recovery and the deterrent effect of trade suits.

Nothing is certain, however, and events are likely to test the backbone of US and European producers. Europe, where steelmaking remains organised on a largely national basis, may have to swallow more substantial cuts in capacity if a trade war is to be avoided.

"European mills remain resistant to production cuts, but they are likely to be forced to take drastic steps as losses mount in the first half of the year," says Terry Sinclair, steel analyst at Salomon Smith Barney in London.



Source: MEPS

ATTRACTION FOR VENTURE CAPITALISTS

First Chinese internet profits in sight

By James Kynge in Beijing

A Chinese internet company is poised to become the first among several fledgling domestic competitors to stop losing money – a modest achievement with huge implications for the commercialisation of cyberspace in the world's most populous nation.

Charles Zhang, chief executive officer of Sohu, a leading Chinese-language internet content provider modelled on Yahoo!, said that a current audit was expected to show the company had "broken even" after 11 months in business.

"We have got about 60 per cent of the internet advertising market in China," said Mr Zhang, whose company now employs about 80 staff compared with 10 when it was launched last February. Mr Zhang said that Sohu hosted about 100,000 visitors and 700,000 page views a day.

The company's progress shows for the first time that, in spite of many obstacles, internet business in China may be profitable. Analysts said this realisation could attract a wave of venture capitalists from the west to China, and provide a platform for the listing of several Chinese companies on overseas stock markets.

Wang Zhidong, president of Sina Inc, another fledgling Chinese-language internet venture, said his company might try to list on Wall Street's Nasdaq exchange later this year.

Representatives of several other small Chinese internet companies said they were scouting for venture capital to support their development.

"We think that 1999 is the make-or-break year. If we don't manage to get launched this year, then others will beat us to the post," said the chief executive of another Chinese internet company.

Internet use has been growing exponentially in China. There are now 2.1m subscribers compared with about 300,000 in 1997. Nicholas Negroponte, a leading US internet expert, said last week in Beijing that he believed there would be 10m subscribers by 2000. Mr Negroponte was one of the earliest investors in Sohu.

But there remain many obstacles to internet development in China. Access is slow, so many find the cost of surfing too high. The domestic advertising industry is underdeveloped, as is corporate awareness of the internet as a business tool. Most net advertisers have so far been foreign multinationals and some private Chinese enterprises.

Yin Zhihe, executive chairman of the Beijing Software Industry Association, said China had been slow to respond to the venture capital needs of local internet start-ups. State banks often lacked the skills to identify potential winners, and unproven internet companies were at a disadvantage in gaining approval from the stock market regulator to list within China.

The Bank of China, a leading state bank, launched the country's first "e-commerce" credit card last month, though cyberspace shopping may remain only a concept for some time in a country where people traditionally prefer to pay in cash, even when buying houses.

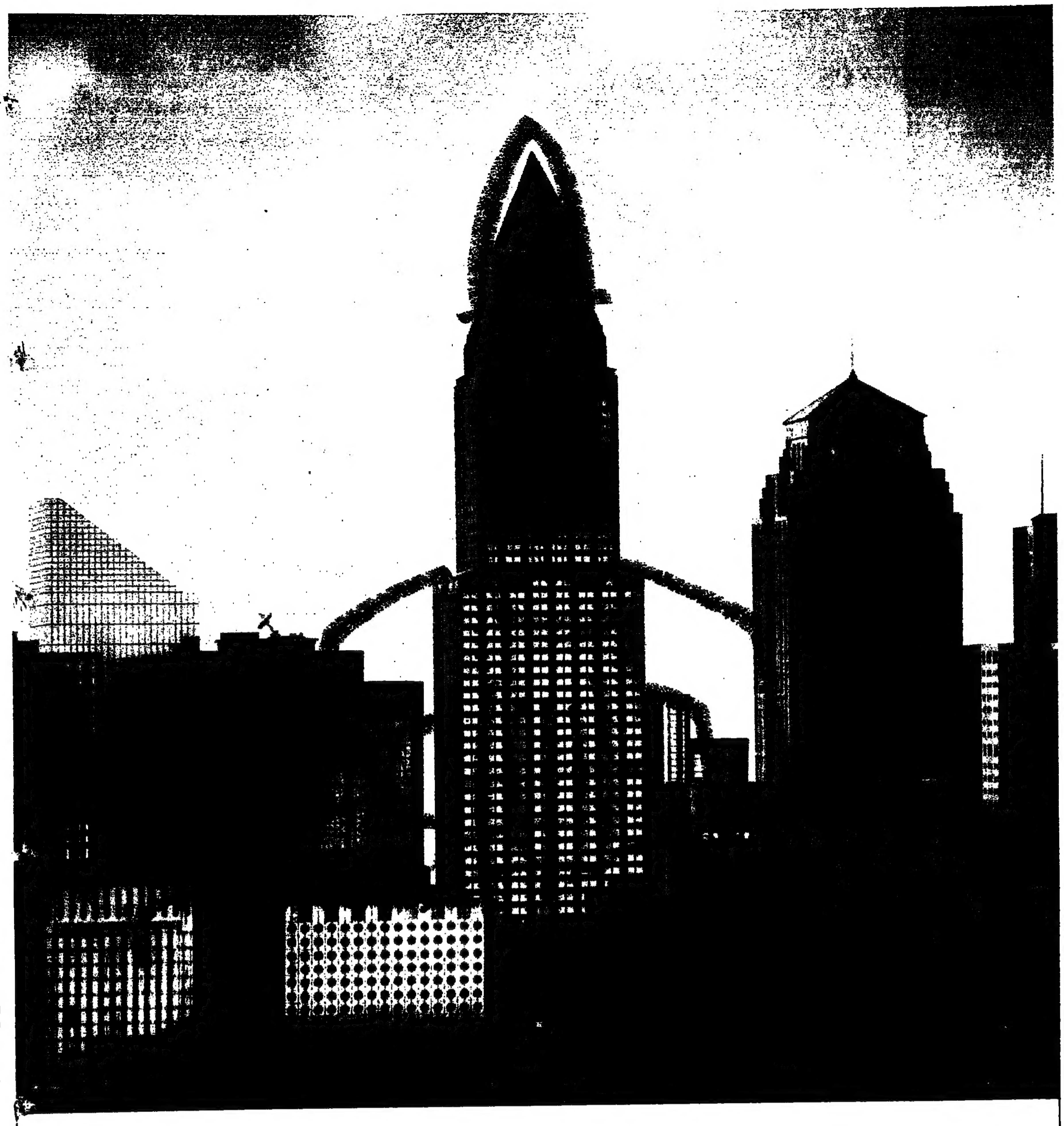
A potentially more perilous obstacle is political. The contradiction between the internet and China's authoritarian system was demonstrated last month when Beijing tried for subversion a man who allegedly supplied the e-mail addresses of thousands of Chinese to a dissident organisation in the US.

مكرر من الاصل

هكذا أمن الأعمال

First Chinese internet profits in sigh

EAST AFRIC



India presses banks to buy state shares

By Krishna Guha in Jaipur

The Indian government is trying to cajole state-owned banks and public sector companies to buy privatisation shares to make good a hole in public finances, according to a former finance minister, P. Chidambaram.

Describing the move as "fraught with great danger", he said what the government was doing "is sleight of hand".

Mr Chidambaram's attack follows reports that India's government – which needs to raise Rs50bn ($1.2bn) from asset sales by March 31 to meet budget targets – is toying with alternatives to open market sales.

These include asking state-owned financial institutions to hold shares and urging public sector companies to buy back their own shares, or buy cross shareholdings in other state-owned companies from the government.

The proposals have already drawn fire from Manmohan Singh, Mr Chidambaram's predecessor.

"[Privatisation] means selling shares retail. What the government is doing is parking shares forcibly with banks," said Mr Chidambaram. "The banks and financial institutions are resisting this."

He said it would be an equally serious mistake to push public sector companies into buying shares from the government. "The reserves of successful public sector undertakings are meant for new investment," he said. "You cannot force a company to buy back [its] shares because the government needs funds."

Were public sector companies to acquire cross shareholdings in related businesses, this would raise funds for the government while enabling it to retain control of the companies. Share buybacks are constrained by tight regulations.

Prime candidates for such arranged marriages are oil companies Indian Oil and ONGC and telecommunications companies MTNL and VSNL.

Investment bankers involved in India's privatisation programme are up in arms. "It is stupid. No investors want to see crossholdings," said one senior banker.

Investors are also dismayed at signs that the government may be willing to interfere with the management of state-owned companies and institutions, which had slowly been building greater autonomy.

A second senior banker said the lack of a settled privatisation policy made it extremely difficult to take issues to market. "I have come to the conclusion that it is not worth working with the Indian public sector," he said.

Nuclear weapons talks with US make progress

By Krishna Guha

Talks between Washington and New Delhi on India's nuclear weapons programme are making progress, with both sides closer to agreement on further testing and export controls, according to a State Department official.

But there remain serious differences over India's production of fissile material, used to make nuclear warheads, and the deployment of nuclear weapons. These are the main barriers to an early lifting of US sanctions imposed after India's nuclear tests last May.

"I do not think we have reached the kind of breakthrough we hoped for and expected," said George Pickart, senior adviser at the State Department. However, he said the US was encouraged by recent statements by Atal Behari Vajpayee, the Indian prime minister, on the subject of further nuclear tests.

The US feels Mr Vajpayee may be preparing public opinion for a decision to sign the comprehensive test ban treaty before the September deadline.

"We gain a strong sense that there will be no further tests from either India or Pakistan," Mr Pickart said. There had also been "good discussions between experts to strengthen and internationalise India's export control laws".

On the production of fissile material, the US is heartened that India is taking part in discussions over a proposed fissile material cut-off treaty. "I do not think these parts of the dialogue have reached the state of progress the other parts have," Mr Pickart said.

Washington has told New Delhi that it does not seek to define India's security requirements, but wants to reconcile them with the global non-proliferation regime.

The two countries had "come a long way" in understanding each other, the US official added.

Mr Pickart said the nuclear issue was a serious obstacle to the development of a stronger US-Indian relationship, the attractions of which he and other members of the high-profile US delegation spelt out to Indian businessmen last week at the Confederation of Indian Industry's summit in Jaipur.

"You cannot have a full and healthy trade relationship when you have sanctions in place," he said.

The US will continue to oppose all multilateral finance for India for projects that fall outside its definition of basic needs, including a planned World Bank loan for power reform in the state of Andhra Pradesh. It will support the International Monetary Fund package under preparation for Pakistan, but only to prevent financial collapse.

However, the US may be prepared to lift sanctions – including its opposition to multilateral aid – if it reaches agreement with India on the comprehensive test ban treaty, export controls, fissiles production and deployment, even if India does not also accede to the nuclear non-proliferation treaty.

Pakistan's Shias live in fear of further massacres

By Farhan Bokhari in Lahore

With several years of experience as a caretaker at Lahore's Mominpura Shia Moslem graveyard, Talib Hussain is hardened to witnessing daily funerals. But there are limits to his tolerance.

"I am still shocked by the massacre. I was so scared that reliving the details is tough," he says, pointing towards the courtyard where a year ago 22 corpses were laid out after one of Pakistan's worst religious massacres.

The victims were all Shias attending a prayer meeting. Four gunmen walked in to the graveyard, opened indiscriminate fire and left on motor cycles parked just outside.

Mr Hussain is expecting to receive hundreds of mourners today, the first anniversary of the attack. "But it's not the end of the crisis as far as we're concerned" says Mubarak Ali, an eyewitness to the event. "Every passing day brings more fear for Shias."

The massacre of 17 Shias in a village last week has added to the fear. They were believed to have been killed by members of a militant Sunni Moslem group.

Nawaz Sharif, the Pakistani prime minister, condemned the latest attack but many Shias question the extent to which his government can protect them.

"Nobody trusts the prime minister or the government any more. It seems increasingly that we will have to fight it out," says Mr Hussain, echoing growing frustration among fellow community members.

Although there are no official statistics, analysts say that Shias number between a fifth and a quarter of Pakistan's population of 138m. Shia community leaders claim this figure to be closer to a third.

Most Shias suspect that the killings are the work of the militant Sunni Moslem *sipah-i-sahaba* group, which has campaigned to have Shias officially declared as heretics.

The killings have also strained relations with neighbouring Iran, a predominantly Shia country, which has also seen its nationals killed in Pakistan at the hands of the *sipah-i-sahaba* or groups that it controls.

Last week Shamshad Ahmed, Pakistan's foreign secretary, was told that there could be no improvement in relations with Iran unless Islamabad took decisive action to curb anti-Shia militancy in Pakistan. Kamal Kharazi, the Iranian foreign minister, was quoted as urging Pakistan to "take concrete and rapid measures to punish the terrorists".

Analysts say the violence has links to years of Pakistani support for groups in neighbouring Afghanistan. Many of those groups, comprising Sunni activists, were armed and funded through Pakistan. Some have subsequently turned their guns on Shias, community leaders believe.

"There are new and alarming trends in the [Islamic] sectarian violence," says Ghazi Salahuddin, a political commentator. "It's not just large massacres, it's also the individual targeting of Shias that is a source of concern." In Punjab, many prominent Shias have hired private bodyguards and carry arms, fearing an attack.

Analysts such as Mr Salahuddin say that Mr Sharif needs to retreat on his plans to introduce Islamic *shariah* laws. Critics say that such laws would add to the considerable polarisation in society, and push different groups towards antagonism rather than conciliation.

Mourners accompany the bodies of 11 of 16 victims of a massacre at a Shia mosque last week AP

NEWS DIGEST

CHARGES OF BRIBERY

Chinese central banker given death sentence

China has given a suspended death sentence to a senior central bank official, signalling an intensification in its battle against corruption, the official media reported at the weekend. Sun Maobeng, former governor of the Ningbo city branch of the People's Bank of China, was found guilty by a court in the central coastal province of Zhejiang of taking bribes. Authorities seized more than $80,000 that Mr Sun had collected during his tenure at the bank.

His sentence may be commuted to life imprisonment after two years, depending on his behaviour.

In a separate case a court in the south-western province of Yunnan sentenced Chu Shijian, former chairman of the Hongta tobacco company, to life imprisonment for embezzling $3.55m. Only a few years ago Mr Chu had been a national corporate celebrity for turning the "red pagoda" brand into one of China's favourite cigarettes. **James Kynge, Beijing**

BIS GATHERING

Greenspan in Hong Kong

Alan Greenspan, chairman of the US Federal Reserve Board, yesterday arrived in Hong Kong for a gathering of central bankers under the aegis of the Bank for International Settlements. Items on the agenda include restructuring at Asian banks, the global financial situation and progress in strengthening financial systems. The meeting is also likely to discuss greater regulation of hedge funds.

It is the first to be held in Hong Kong since the BIS opened an office in the territory last July. Another meeting scheduled for next July is to be held in Shanghai.

Central bankers will also meet Tung Chee-hwa, Hong Kong's chief executive. Mr Greenspan last year criticised Hong Kong's intervention in the stock market. He will fly on to Beijing for a meeting with Dai Xianglong, governor of the People's Bank of China. ***Louise Lucas, Hong Kong***

CAMBODIAN TOXIC DUMPING

Action pledge on rights probe

Cambodia's Interior Ministry yesterday said it had asked a provincial court to speed up investigations into two detained human rights workers and to free them if there was no evidence. "We don't want to keep them in jail," said Interior Ministry spokesman Khieu Sopheak.

Kim Sen and Meas Minear of local rights group Licadho were arrested on December 21 in the southern port of Sihanoukville during protests against toxic waste dumping by a Taiwanese company. They were charged with robbery and criminal damage but human rights groups said they were only engaged in legitimate protest and called for their immediate release. The case has attracted international attention because of its contrast with the friendly treatment the government accorded to Khieu Samphan and Nuon Chea, two defecting leaders of the Khmer Rouge, whose revolution in the 1970s killed an estimated 1.7m Cambodians. **Reuters, Phnom Penh**

TAIWANESE CONTRACT

Alstom in €650m power deal

Alstom has been awarded a €650m ($760m) contract for the construction of a power plant at Ho-Ping, south east of Taipei. The Ho-Ping plant will incorporate advanced environmental protection technology and is expected to come into operation in 2002. **International Staff**

400,000 REDUNDANCIES EXPECTED UNAUTHORISED PITS TO BE SHUT □ ANNUAL OUTPUT LIKELY TO BE REDUCED BY 250m TONNES □ DWINDLING DEMAND FROM HEAVY INDUSTRIES

China plans to close down 25,800 coal mines this year

By James Kynge in Beijing

China, the world's largest coal producer, plans to shut 25,800 coal mines this year and reduce output by 250m tonnes as part of continued attempts to halt over-production and decrease losses in one of the country's most troubled industries.

Zhang Baoming, director of the state bureau of coal industry, said all unauthorised coal mines across the country would be closed by the end of June. Most of the planned 25,800 closures were expected to come from among roughly 75,000 mines in township and rural areas.

The closures were expected to cause around 400,000 redundancies this year, and cut the industry's losses by around half, said Mr Zhang. This follows the loss of 870,000 jobs from the coal industry payroll over the past five years. China produced 1.2bn tonnes of coal last year, down by 130m tonnes compared with 1997.

The decline in coal output reflects the dwindling requirements from heavy industry, especially the blighted state-owned sector. It also calls into question China's official economic growth statistics, which claim that industrial production climbed by 8.8 per cent last year. This seems improbable, given that coal is supposed to supply 75 per cent of the nation's energy needs.

The official Chinese media said that 80.8 per cent of the country's main state coal mines were losing money and idle capacity at these mines had reached 90m tonnes.

The decision to restructure the coal industry is part of a recently approved, long-term plan for energy development, which stresses the vigorous expansion of oil, gas and nuclear power sources and increased emphasis on renewable energy from solar, wind, geothermal and tidal sources.

The government also plans to offer preferential loan and fee exemption policies to accelerate the development of coal gas, a key new energy source which pollutes less than coal combustion and which has attracted a significant level of foreign investment interest. Coal fields in north, north-east and south China have estimated recoverable coal gas deposits of 3.5bn cubic meters, according to official estimates.

The government energy development plan also envisages an increase in coal exports in tandem with the improved quality of coal mined. This year, Mr Zhang said, coal exports were expected to reach 40m tonnes, compared with 32m tonnes last year.

Nigerian poll triumph for PDP

By William Wallis in Lagos

The People's Democratic party (PDP), a broad coalition of politicians from across Nigeria, confirmed its position as the leading party in the transition to democracy by winning more than half of the gubernatorial posts in weekend state elections.

PDP candidates won 18 out of 33 states where results were declared. With only three of the total 36 states yet to report, voting patterns were similar to last month's local government elections in which the party won overall victory but fared badly in the restive south-west.

The PDP includes prominent personalities who came together to oppose the late military dictator, Sani Abacha, in the months before his death last June. But the two other parties qualified to run claim it is being supported by powerful members of the military with an interest in preserving the status quo.

The Alliance for Democracy (AD), a party dominated by the Yoruba ethnic group, again swept the board in its south-west stronghold, winning in six states. The All People's party, another broad national coalition, which has formed an electoral pact with AD for forthcoming presidential polls, made inroads into northern Nigeria and won at least nine states.

The elections on Saturday were the penultimate step in a transition to democracy which ends next month in parliamentary and presidential polls and should see a civilian government in place by the end of May. Voters are enthusiastic about the process, which promises to end 15 years of military rule.

All three parties have traded accusations of plans to rig the polls. But reports indicated only isolated incidents of violence, prompting observers to commend improvements in organisation.

Line blurred between UN and national intelligence

Claims the US used Unscom as a cover for spying in Iraq raise issues over activities conducted on behalf of Security Council

By Michael Littlejohns at the United Nations and Stephen Fidler in Washington

Controversial reports that the US used United Nations weapons inspectors as a cover for spying in Iraq have further dimmed the remote prospect that the inspectors will return to the country, according to UN and US officials.

The controversy also appears likely, on the face of it, to increase suspicions over future multinational efforts under UN auspices. Yet, so far at least, the reports have provoked only a muted response from other members of the UN Security Council, which has not discussed the issue.

One senior UN official said this could be because Council members, far from being deceived bystanders, may have turned a blind eye to the US role in Iraq.

The Council gave in 1991 the inspectors of the UN Special Commission in Iraq (Unscom) the mandate to dismantle or destroy Baghdad's weapons of mass destruction. Unscom, which was expected to finish its job quickly and disband, was unique within the UN system as it reported directly to the Security Council, not to the secretary-general.

Unscom used national intelligence services to an "unparalleled" extent, a senior UN official acknowledged – but not necessarily improperly. He added that UN peacekeeping operations, including that in Bosnia, were probably infiltrated by national intelligence agencies.

"Is that abuse?" the official said. "Yes, but these are the facts of life."

According to a former field official, senior military officers seconded by governments for peacekeeping operations might not be spies but routinely report to their national defence ministries, sometimes before Kofi Annan, UN secretary-general, hears from them.

UN officials say the nature of Unscom meant that intelligence skills were needed, and had to be imported from member governments given that the UN had no intelligence capabilities of its own.

The UN does not vet staff provided by member governments that are involved in its operations. Over time, for a variety of reasons, Unscom grew to depend increasingly on US support.

A U2 spy aircraft manned by Americans has been flying over Iraq for years without complaint, except from Baghdad. Its films go to Washington for interpretation, as well as being scrutinised by the UN. US officials have taken the position publicly that US intelligence was deployed for Unscom's purposes only.

And while Washington may have made use of the information that emerged – as undoubtedly did other supporting governments – Unscom was not a dupe for freelance US intelligence operations.

The officials also say that Iraq uses troops from the Republican Guard both to protect and hide Iraq's weapons of mass destruction programme – and to guard Saddam Hussein, the Iraqi leader.

Learning about the weapons programme thus also yielded information about the methods used to protect the Iraqi leader, whose unseating has become a US objective not shared by the UN.

Richard Butler, the Unscom head, again denied vehemently on Friday that his disarmament commission was "ever under the control of the US or any other supporting government".

The future of his organisation is likely to be discussed at a meeting of the full 23-nation disarmament commission this month – although Iraqi opposition to weapons inspectors may make that debate academic.

However, the spying controversy that now surrounds it may simply have emphasised what is already widely understood at the Security Council: that there is no sharp line between intelligence gathered to further UN objectives and that used by national governments for their own purposes.

Kofi Annan: 'sometimes hears reports after governments' Reuters

Chilean election candidate pulls out

By Mark Mulligan in Santiago

The executive of Chile's centre-right National Renovation (RN) party is today expected to set a date for an extraordinary meeting following the surprise withdrawal of its candidate for December's presidential elections.

Sebastián Piñera bowed out late on Friday, saying "this is not my time". His withdrawal follows recent opinion polls which show him with less than 5 per cent support. He said that he felt "obligated to listen to the voice of the people".

If Mr Piñera is not replaced the country's right-wing Alliance for Chile grouping will be left with just one candidate in July's primary vote among members of the RN and the Independent Democratic Union (UDI).

Joaquín Lavín, UDI candidate and mayor of Santiago's wealthy Las Condes district, will then automatically proceed to the final presidential race, where he is certain to meet Ricardo Lagos, Socialist party candidate and the man most likely to be Chile's next president.

Recent polls show Mr Lagos with 39 per cent of the popular vote against Mr Lavín's 30 per cent. Mr Lagos is expected to beat the Christian Democrats' Andrés Zaldívar in the July primaries to become the governing coalition's candidate for the presidency.

Mr Piñera's withdrawal is the latest blow to Chile's right, which has found itself increasingly isolated by its support for General Augusto Pinochet, the former dictator, who was detained in London last October and faces extradition to Spain.

Although the RN tried to distance itself from the more extreme views of the UDI in the Pinochet case, the two parties are united on basic issues such as law and order and low taxation.

Kazakh president set to win fresh mandate

By Carlotta Gall in Almaty

President Nursultan Nazarbayev looked set to win a fresh seven-year term in Kazakhstan's presidential election yesterday. But his almost certain success was marred by the absence of foreign observers who have declined to monitor the elections after serious violations in the run-up to the poll.

There was a holiday atmosphere at polling stations around the business capital, Almaty, with loudspeakers blasting loud music and schoolchildren dancing. Election officials reported a high turnout, with some 78 per cent of the electorate said to have voted by early evening.

Most people interviewed said they had voted for the incumbent. A small minority said they had voted for his nearest rival, Gani Kasymov, head of the state customs committee and the only other candidate who has won any attention.

The president was in confident mood and called the day a historic one, "the first time that the people of Kazakhstan will elect a president in ... free and honest elections".

But the Organisation for Security and Co-operation in Europe said that events leading up to the election were so marred by unfairness that there was little point in observing the actual voting.

OSCE member states have all refrained from sending official observers, and the small team of OSCE officials in Kazakhstan refused to do any monitoring.

"Events before the election contradict the commitments Kazakhstan made to be a participating member of the OSCE," said Vladimir Shkolnikov, deputy head of the OSCE mission.

Mr Shkolnikov said the main criticisms were the sudden calling of elections that gave opponents no time to organise, the exclusion of two candidates from the race, and the sharp imbalance of media coverage in favour of the president.

It was the first time the OSCE had refused to observe national presidential elections of a member state, Mr Shkolnikov said. "It is a signal," he said. "It will be up to the member states to consider further action."

Cuba attacks moves by US to modify sanctions

By Pascal Fletcher in Havana

Cuba's leaders have criticised US moves to modify some economic sanctions against the island, dismissing them as "crumbs" whose real intention was to undermine communist rule.

The scathing Cuban response to the measures, announced by President Bill Clinton last week, indicated that Fidel Castro's government saw no fundamental shift in Washington's long-running policy of trying to force political change in Cuba through an economic embargo and diplomatic pressure.

Mr Clinton, who said his intention was to help the Cuban people but not the government, authorised an expansion of flights and cash remittances to Cuba from the US, more "people-to-people" visits and a plan to restore direct mail to the island.

He also proposed the sale of US food and agricultural supplies to non-government bodies in Cuba, such as religious groups and the fledgling private sector.

José Luis Rodríguez, Cuba's economy minister, dismissed the measures and said Havana was not in the habit of accepting such offers.

In a detailed rebuttal on Friday night, Ricardo Alarcón, president of the National Assembly, condemned the US announcement as a "public relations manoeuvre" intended to counter growing opposition to the US embargo.

Mr Alarcón alleged in a national television broadcast that the US measures sought to promote "subversion" and "counter-revolution" in Cuba by potentially increasing US funding and support for anti-government opposition groups and dissidents.

Widening an earlier relaxation of US sanctions announced by Mr Clinton last March, the latest measures authorise any US resident to send limited funds to Cubans and to independent non-government organisations in Cuba.

"It's a fresh attempt to attack us on the political and ideological fronts, without giving absolutely anything away," Mr Alarcón said, adding the measures had "nothing to do with humanitarian concern".

هكذا من الأصل

LABOUR PARTY MANDELSON COULD ACT AS ROVING AMBASSADOR TO DEVELOP LINKS WITH CENTRE-LEFT PARTIES

Blair plans Euro role for ex-minister

By David Wighton, Political Correspondent

Tony Blair wants Peter Mandelson, the former trade and industry secretary, to play a key role in government efforts to boost Britain's influence in Europe and build public support for the European Union.

The prime minister's plan would see Mr Mandelson acting as a roving European ambassador, developing links with other centre-left parties and spreading a pro-European message.

The move would renew criticism from the opposition Conservative party, which attacked Mr Mandelson's involvement in talks with German ministers on Friday, less than two weeks after he resigned as trade secretary over his £373,000 (€530,000, $626,000) loan from Geoffrey Robinson, a Treasury minister who resigned on the same day. But it underlines Mr Blair's confidence in Mr Mandelson and his determination to bolster Britain's position in Europe despite deciding not to join the single currency in the first wave.

Mr Blair yesterday called for an "honest debate" about UK membership of the euro and pledged to go "over the heads" of the Eurosceptic media. "Even though I know I've got a lot to do in convincing the country on this it would be the biggest failure of leadership imaginable if I fail to point out to the British people the consequences of walking away from Europe and leaving ourselves without influence in it," he said on BBC television.

Mr Blair's comments came as he sought to relaunch his government's radical agenda after the resignations of Mr Mandelson, Mr Robinson and Charlie Whelan, press secretary to the chancellor.

Mr Blair made clear he would not be deflected by internal criticism of reforms, such as closer co-operation with the opposition Liberal Democrats. The next two weeks will see a number of policy initiatives, including a white paper on reform of the House of Lords. This will propose stripping the prime minister of influence over the appointment of all but Labour working peers. Cross-benchers would be appointed by a commission composed of representatives of the three main parties and four independents.

Prime minister Tony Blair (right) interviewed by Sir David Frost on BBC television yesterday PA

But Mr Blair's efforts to focus on policy yesterday were hampered by publication of embarrassing details of the private life of Robin Cook, the foreign secretary, by his ex-wife.

In a book serialised in the Sunday Times newspaper, Margaret Cook said Mr Cook had confessed to six affairs during their 28-year marriage and claimed he harboured deep-seated hatred for senior members of the government.

Separately, Mr Cook also came under criticism from Sir David Gore-Booth, Britain's retiring High Commissioner in New Delhi.

But Mr Blair offered strong support for Mr Cook, saying: "I have every confidence in the job that Robin Cook does, he does a superb job on behalf of the government and the country."

In the BBC interview, Mr Blair also paid tribute to Mr Mandelson's ability and declined to rule out his returning to the cabinet before the next election.

Mr Blair defended Mr Mandelson's presence as a party representative at last Friday's meeting with Bodo Hombach, the German chancellery minister. But William Hague, the Conservative party leader, accused Mr Mandelson of trying to "worm his way back".

Downing Street last night said there was no agreement for Mr Mandelson to take on an expanded European role.

Pay deals remain stable despite easing of inflation

By Robert Chote, Economics Editor

Pay settlements have remained broadly stable over the past six months, even as the rate of inflation has edged down, according to a leading pay research group.

Incomes Data Services reports today in its latest analysis that 3 per cent remained the floor for pay settlements at the turn of the year. Four-fifths of new settlements fell between 3 per cent and 4.5 per cent.

Over the past six months, settlements have been stable while the headline rate of price increases has slowed from 4.2 per cent in the year to May to 3 per cent in the year to November. Most pay settlements were running at least half a percentage point above inflation by the last quarter of 1998.

But IDS added that downward pressure on pay settlements was intensifying, with inflation expected to continue falling and fears of recession growing.

Industrial production data for November are due today. Some analysts expect them to foreshadow a fourth-quarter drop in whole economy output. The National Institute of Economic and Social Research will publish its provisional estimate of fourth-quarter growth today, incorporating the industrial production data.

The economic slowdown has not yet put a noticeably severe squeeze on pay, with few pay freezes or pauses recorded. At the extremes of the pay settlement distribution there were more deals above 4.5 per cent than below 3 per cent.

The Bank of England will be playing close attention to pay settlements, with the official average earnings data still suspended pending investigation of revisions undertaken last year.

The Bank's monetary policy committee indicated, when cutting rates by a further quarter point this month, that the labour market may have reached a turning point. Another rise in unemployment in December is expected to be announced this week.

UK retailers 'losing out' to rivals pricing in euros

By Sheila Jones in London

UK retailers risk losing sales to competitors in mainland Europe unless they act now to match the pricing strategies of European Union businesses already operating in the euro trading bloc, according to research by Kurt Salmon Associates, the retail consultancy.

Its research into branded clothing indicates that price transparency and other factors are likely to push down prices in Europe and erode cross-border differentials.

Nick Garratt, analyst at Kurt Salmon, said operators in the 11 EU countries already signed up to the euro were being forced to review pricing strategies and compete more effectively, particularly among branded goods where direct price comparisons could be made.

But there was no such pressure on UK clothing retailers, which were likely to lose export sales. Businesses focused on the home market were most at risk, because they felt no particular need to review pricing.

"If you are a UK retailer with 99 per cent of your sales at home, then it does not seem such a big deal," said Mr Garratt. "But if you look at companies like Cortefiel in Spain, which has increased its exports to Europe from 3 per cent to 20 per cent of sales in the past two years, then it is serious.

"The guys on mainland Europe are looking at these things and reacting," he said. "It is going to be very difficult to penetrate European markets unless you are really gearing up for European competition." Aggressive pricing by suppliers in mainland Europe could also eat into the UK market.

Price transparency across Europe would increase as retailers moved into areas such as electronic sales.

"Gap [the clothing chain], for example, has invested heavily in its web site, which currently sells only into the US," Mr Garratt said. "Their current strategy of common pricing across Europe will allow them to sell online to Europe once the logistics are in place."

NEWS DIGEST

MILLENNIUM

Festivities may provide £200m boost for economy

Millennium festivities will see consumers in the UK spend £200m (€283m, $336m) more than they would in a normal New Year holiday, celebrating at home and in pubs, clubs, hotels and restaurants, according to an independent forecasting group.

The millennium dome in south-east London and other projects will be worth a further £1.2bn in spending this year, a rise of £450m on the 1998 figure, according to the Centre for Economics and Business Research.

Spending on the millennium bomb computer problem and precautionary stockpiling of food and other items are also likely to boost economic activity this year. The centre estimates millennium-related spending will increase economic growth overall this year by 0.2 per cent.

Angus McCrone, co-author of the report, argues that this "could even make the difference between low growth and technical recession". But the figure is small in comparison with average measurement errors in the national accounts. **Robert Chote, London**

ENGINEERING

Project to tackle skills shortage

A new research project aims to get to grips with skills shortages in the engineering industry by studying employment practices.

The Engineering and Marine Training Authority, a private sector body that devises training programmes, has teamed up with the Institute for Employment Research at Warwick University to devise a computerised model that will forecast employment trends.

Results will be collated with other research by the groups that will track employment practices in five areas of the engineering sector. These are: electronics, mechanical engineering, metal foundries, vehicle parts and white goods.

The £750,000 programme is being backed by the European Commission.

UK engineering employs 1.7m people, nearly half the manufacturing workforce. A long-term problem has been attracting and retaining skilled staff in areas such as aerospace and semiconductor design. **Peter Marsh, London**

PARLIAMENTARY STANDARDS

Former PM denies lapse

Sir Edward Heath, the Conservative former prime minister, yesterday denied breaching Commons rules by failing to register a number of companies for which he acts as a paid adviser.

Sir Edward said he did not need to declare them since he did not act for the companies in his capacity as an MP. He said the arrangements had been cleared in 1996 by Sir Gordon Downey, the then parliamentary standards commissioner.

The rules state that MPs should register any pecuniary interest that "might reasonably be thought by others" to influence their actions in parliament.

Sir Edward confirmed he was a paid adviser to the China Ocean Shipping Company and to Dresdner Kleinwort Benson's China fund. **David Wighton, London**

INSIDE TRACK

PROFILE CEES VAN LEDE, CHAIRMAN AND CHIEF EXECUTIVE, AKZO NOBEL

Playing the Dutch uncle

Gordon Cramb meets the plain-speaking boss of one of Europe's leading chemicals groups, who believes diversity is the key to success

Across two walls of Cees van Lede's small study runs a shelf of miniature gabled townhouses in blue and white china. They are filled with Dutch gin, and will be familiar to many as souvenirs from flights on KLM. But this is the complete set. It attests to the time the chairman of Akzo Nobel, one of Europe's leading chemicals groups, has spent on the move.

His home in Hilversum is no canalside monument but a mid-1980s Danish prefab, erected at the time he ran the Netherlands' federation of employers. Across the table at negotiating sessions then was Wim Kok, the trade union leader who went on to become prime minister.

That period followed a turning point for the Dutch, when recession brought home the reality that the country had misspent its North Sea oil and gas income. The unions agreed a deal to reduce unemployment by moderating wage demands and accepting social security reforms.

"People became much more open with each other, and more businesslike," says Mr van Lede, who at 56 is a senior figure in national economic life as chairman of the supervisory board of the central bank.

These days he worries about the consequences of that drive to reform state finances, which was given added impetus by European monetary union. "We had to reduce the government deficit, and we have done that at the expense of investment."

As areas needing attention he identifies not only physical infrastructure but also education.

How does he get on with The Hague now? "Fine, all right, good. If I need anyone, I get them. But I feel very comfortable at a 100-mile distance." He keeps ministers informed, and ensures he knows the current generation of union leaders. "I hate the word, but it's part of the 'network' you should have."

Mr van Lede studied physics and mathematics at Leiden University for two years before switching to law. He admits to occasional bafflement when Akzo's chemists talk to him. But he makes a stab at other disciplines. On another shelf in his study are books in Swedish, which he learned after his group took over Nobel Industries in 1993. But the use of English for business meetings will reassure employees of Courtaulds, the UK group for which this year he paid £1.83bn.

Akzo, one of the top five Amsterdam quoted companies, has a non-Dutch feel even in its domestic market, he says. "We had Germans and Americans on our board before similar companies here dreamed of it."

And in comparison with multinationals elsewhere, he maintains: "Whereas big companies from big nations have a tendency to prescribe a certain style, a certain approach, we tend to be a mixture of everything. Let's use the diversity, let's not kill it."

That diversity means Gordon Campbell, Courtaulds' former chief executive, earns more from his Akzo board seat than does his new chairman. Mr van Lede responds to this in two ways.

'Whereas big companies tend to prescribe a certain style, we tend to be a mixture'

In the first place, he argues that "if you want to have an international board, you have to have compensation packages which are competitive. I think Dutch international business has been extremely successful over the past 10 to 15 years but, now there is an international reference package, we cannot isolate ourselves and say, sorry, it doesn't exist in this country."

But if that sounds like an argument for paying himself more, he gestures to what is a comfortable rather than an opulent home and says: "I'm not a really poor man. You can look around here."

Akzo remains Dutch in being consensus-minded. If there were to be substantial redundancies within the domestic workforce, not only the unions but The Hague would be warned. Armed with a thimbleful of *jenever* – drawn from a bottle rather than from the airline keepsakes – Mr van Lede returns to talking about the company.

He is known as a plain speaker and regards this frankness as an important management virtue. He has complained that the group, acquisitions aside, has not grown in recent years. And he has put Akzo, which had 1998 sales of some Fl 27.7bn (£8.9bn), into perspective by describing it as a world leader in coatings – but a medium niche specialist in chemicals, and with a high-performance but small pharmaceuticals operation.

The Courtaulds deal has at least two questionable aspects: a bigger exposure in the short term to the struggling world fibres sector, and a greater reliance on emerging markets in paint.

"I am very positive on Asia – the fundamentals have not changed," he responds. "For coatings, volume-wise there is little growth in the west. Emerging countries have enormous potential, both in volume and quality which is very low." He is briefly wistful about the Russian paint market: "A lot of business has dried up. Margins were very good."

Akzo is now the world's biggest paint company, ahead of ICI. With Courtaulds it has also been able to create the largest dedicated producer of fibres, from this month being run as a separate operation called Acordis. Fibre margins for Akzo, at barely 2 per cent of sales before the takeover, were not covering the cost of capital and were a fraction of what was being achieved in its pharmaceuticals business.

For the group as a whole, the third-quarter return on sales was squeezed down to 10.2 per cent from 11.5 per cent just because of the impact of the extra involvement in fibres. And Akzo shares ended last year barely changed. Acordis will be spun off late this year to shareholders, with a separate listing in Amsterdam.

That was the upshot of his 1997 decision to make each business group accountable for its own capital needs. "You shouldn't be in a situation where you have a rich uncle. You should have a Dutch uncle, so to speak" – admonitory rather than indulgent. Mr van Lede has wagged a finger at Akzo's operations in bulk chemicals as well.

"We had a very clear message to chemicals, which was 'deliver the goods'. We said OK, we'll give you the investment, now give us a return. And on the whole they have done well."

Amid a renewed merger wave in the European chemicals industry, is Akzo on the sidelines until Acordis is out of the door and the remainder of Courtaulds integrated? "That is not unreasonable to assume because we have to beef up our balance sheet again. And first we have to show something."

Mr van Lede also questions the value of some of those deals. In the US, specialty chemicals companies are heading either towards life sciences or petrochemicals, and in a fairly focused way. But "in Europe the pattern seems to be dictated by size at the moment. Whether that is a good formula remains to be seen. I have my doubts. You can't just cut and paste together".

Essential Guide to Cees van Lede

Born: Wassenaar, Netherlands, November 21 1942. Son of a gin distiller, reared as a Roman Catholic, married to a Protestant noblewoman but no problems heading company which produces oral contraceptives. Gained law degree from nearby Leiden University in 1966 and MBA from Insead in Fontainbleau the following year.

Career: Stuck it with Royal Dutch/Shell for two years before joining management consultants McKinsey, which brought him postings to US, Belgium, France and Brazil. Back home to run Koninklijke Nederhorst Bouw, a construction company, he agreed its takeover by the larger Hollandse Beton Groep.

Chaired the VNO, main Dutch industry federation, from 1984-91. From batch of job offers chose board seat at Akzo, which allowed him also to be vice-chairman of Unice, European employers' grouping, until 1994. That year assumed top job at Akzo, which had just acquired Sweden's Nobel.

Outside interests: Chairman of supervisory board of Dutch central bank. Other paid non-executive function, at stores group KBB, ended after takeover by rival Vendex. After 10 years also giving up a board seat at Concertgebouw, Amsterdam's temple to classical music.

Can stay at Akzo: Until 2004, though "the shareholders seem to have a say in those matters". Lifting a voting restriction won his group a place among most improved companies in a corporate governance survey by Dutch shareholders' association.

Appearance: Rangy, craggy. Runs, plays squash and tennis.

Politics: "I have no party affiliation."

Problems: World economy this year, for what is still a cyclical business. Dislikes the uncertainty. "It is much better if you know it is going down."

INSIDE TRACK

BUSINESS EDUCATION HUNGARY

Soros backing bridges the east-west gap

The financier has helped create a catalyst for new business leaders in the former communist states, writes **Kester Eddy**

When Budapest's International Management Centre opened its doors to the first students in 1988, it may have seemed a little pretentious: the first MBA intake of 25 at the grandly-named school were all domestic Hungarians.

Ten years on, things have changed. Of 41 full-time MBA students joining this autumn, 37 come from 14 nations ranging from Mongolia to Georgia and Poland to the US. But that's no bad thing, says the IMC chairman and main benefactor, US financier George Soros.

The Hungarian-born Mr Soros, who in his youth experienced both Nazi and Soviet-backed regimes, was convinced from the beginning that the school could be a catalyst for the region's new business leaders, enabling them to escape the limitations of their national markets in both the business and political sense.

So in 1990, in a form of business education Marshall aid package, Mr Soros began awarding 25 scholarships annually to students from the former communist nations.

The ethnic make-up of the courses was transformed at a stroke. While others, such as the Canadian government, have certainly chipped in with funds for the school, Mr Soros is practising the art of understatement when he says: "Partly, the scholarships have made this a genuinely regional centre."

His quest "to broaden horizons" is already bearing fruit among the IMC's 350 alumni, many of whom already occupy responsible positions in industry, commerce and government throughout the region. Ten years down the road, students from around the region are clamouring for places at the school – applications outnumber places seven to one. But it was not always so.

"When we started, nobody thought the MBA was a big deal. In fact, nobody in the region, including senior management, recognised it," says Andras Nemeslaki, director of the MBA programme.

To complicate matters, the school had to be founded as a limited company in order to avoid control by the ministry of education: communism may have been in its death throes, but it then still seemed very much alive.

Yet within three years, MBA was a buzzword, second only in popularity to "democracy" among high-flying students in the region.

To differentiate itself from a growing number of schools in the post-communist world offering MBA courses – including some of questionable value – the Budapest school was determined to build on its unique position.

For a start, it offered education in English and, because of its executive courses for local managers, could claim its teaching staff had bridged the gap between academic and practical aspects of management. But more important still, it was the only institution in the region offering MBAs which were recognised in the US.

From its inception, the IMC worked with the University of Pittsburg. Students spent a year in Budapest before moving to the US for their final year to gain the American degree.

Later, other joint courses – such as those with Tulane University (New Orleans) and Manchester Business School in the UK – offered a greater variety of possibilities.

But in eastern Europe, overseas courses are prohibitively expensive to all but a lucky few.

Ironically, the IMC's status as a company – albeit a non-profit-making operation – had also become something of a disadvantage because it was unable to lobby the Hungarian education ministry for funds as a "genuine" school, says Mr Nemeslaki.

The school was also frustrated by the fact that it was in effect acting as only a feeder for the western institutions to finish the job of producing MBAs. In many ways, the academic evidence backed the school's case for more independence: IMC students in their second-year studies regularly outperformed their domestically recruited colleagues in Pittsburg and elsewhere, on average graduating in the top 20 per cent.

The obvious, but in educational terms daunting, solution was for the school to offer its own degrees, allowing students full two-year courses in the relatively cheap environment of Hungary. But that was easier said than done.

"If a US university allows another school to award its degrees away from campus, it is putting its reputation on the line. They have to make sure quality targets are met," says Mr Nemeslaki.

Nevertheless, the IMC doggedly pursued the option. Pittsburg, the long-standing US partner, balked at the idea of a local institution awarding its MBAs. So the IMC turned to the Weatherhead School of Management at Case Western Reserve University, of Cleveland, Ohio.

These days, students get a full two-year US-accredited MBA programme in Budapest at a remarkably good price. Tuition fees for western students total $23,000 (half the price of the Weatherhead degree in the US), while students from the former communist states pay a discounted $15,000.

Meanwhile, the school's reputation is growing as an increasing number of former students climb the ladder of success in the region. According to an independent study of alumni completed in late 1995 by Hay International Consultants, the average respondent more than quadrupled his or her salary within three years of graduation, received at least one promotion each year, and is regularly targeted by head hunters.

But the school knows it cannot sit back in the fast-changing and competitive world of business education. The new dean, 53-year-old Viktor Askanas, is keen to address and exploit the special needs of the region, and sees specialisation into certain niche areas as the way forward.

"The region has an incredible need for information technology management. IT department managers in financial institutions, in social services and in government, are simply non-existent," he says.

Meanwhile, financial pressures mount. Mr Askanas, who left his native Poland in 1980 for Canada, where he became a professor at the University of New Brunswick, has expansive plans for what is arguably the single largest independent management school in the region.

The school aims to double its intake in the next few years. At the same time, Mr Soros aims to wean students away from direct scholarships and into using preferential loans (made available by the European Bank for Reconstruction and Development for the first time this year), with the aim of making the school self supporting in the next 10 years. This would be "a healthy development", says Mr Soros.

The school is also likely to move under the umbrella of the Central European University, another Soros-funded institution designed to support regional integration.

But while Mr Soros is dedicated to supporting the university (as he puts it, "The CEU has to be endowed. I can't take it with me"), the business school will have to stand on its own two feet.

Mr Askanas knows the bottom line. "The same philosophy we teach to our students has to be applied to us."

'When we started, nobody thought the MBA was a big deal. Nobody in the region, including senior management, recognised it'

Generous helping: benefactor George Soros (left) joins the new dean of Budapest's International Management Centre, Viktor Askanas (right), to celebrate the school's 10th anniversary

NEWS FROM CAMPUS

Said Business School wins MBA approval

The Said Business School at Oxford University, which has been steeped in controversy since its inception, has been accredited by the UK's Association of MBAs. The Association usually requires a school to have had three years of graduates from its MBA programme: the Said school taught its first MBA programme in 1996.

The school is planning to treble the number of MBA students on its programme to 200 by the year 2001.
Said Business School: UK, (0)1865 288650

Getting emotional

Emotional intelligence is the buzz phrase of the moment so it is hardly surprising that it has found its way into management programmes.

This month Kathy Kram, the associate professor of organisational behaviour at Boston University's school of management in the US, is introducing the fundamentals to a course of seasoned executives.

There is also now a web site where converts can note best practices in the area.
Boston University School of Management: US 617 353 2523

Community consulting

Last week 73 MBA students at the Olin's school at Washington University cut short their holidays to give free consultancy to 21 non-profit agencies in the St Louis region.

Also collaborating in the Taylor Community Consulting Programme were consultants from Ernst and Young, whose time was donated by the company.

The teams of students helped to develop marketing strategies and improve accounting systems, among other things.
Taylor Community Consulting Project: http://realworld.wustl.edu/tccp/

Manchester jobs club

Aspiring management consultants at Manchester Business School have set up their own club to help them get jobs in the sector. They plan to invite guest speakers from consultancy firms and build links with alumni working in the sector.

Students at MBS carry out consulting projects as part of their MBA degrees.
MBSCC: UK (0)973 207988

Big players air their views

Leaders of some of the world's largest companies will this month make presentations to students at Thunderbird, the graduate school of international management in Arizona, about the issues facing multinationals in 1999.

Among those speaking will be Ann Fudge, president of Maxwell House Coffee, Jose Luis Yulo, president of the Philippine Stock Exchange, and Gary Tooker, chairman of Motorola.
Thunderbird: www.t-bird.edu

New dean for Open University

The Open University Business School, which specialises in distance-learning MBA and management diploma programmes, has appointed a new dean.

Roland Kaye, OUBS's Royal Insurance professor of information management, took over from David Asch on January 1.
OUBS: http://oubs.open.ac.uk

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

LUCY KELLAWAY

Boys will be boys – and so will girls

It's tough at the top, whether you're a man or a woman. There's nothing sinister about that – it's a fact of corporate culture

Bad news, career girls. You may have thought that in this caring, sharing age you could let your sweet, loving, feminine natures rip as you scramble up the ladder at work. But I'm sorry to have to tell you that if you want to get on, you must put that side of you back in the box and practise being ruthless instead. Only then will you have any chance of making it to the top.

This distressing news comes from the British Psychological Society which had its annual knees-up in Blackpool last week. Tuvia Melamed, an occupational psychologist, told his fellows of an arduous four-year research project in which he studied the personalities of 1,200 senior managers, a quarter of whom were women. He found that all of them were tough, single-minded autocrats and proceeded to draw the conclusion that the women managers were somehow "denying their femininity" and had adopted masculine behaviour to get ahead. His advice was clear: women who want to get promoted should out-macho the blokes.

Anyone who spends four minutes considering the matter should not be surprised that the personality types of men and women in senior management jobs are similar in some respects. But this is because most of these jobs demand a certain sort of behaviour. In particular they involve making tough decisions and not minding being unpopular. Anyone who gets into a position of power will be ambitious and will have made sacrifices to get there. Once in the job they will naturally tend to fit their behaviour to that of the organisation. There is nothing sinister about that, nor is there any question of being macho. It is simply a fact about corporate culture, for men and women alike.

Neither do I accept the assumption that men are domineering and tough-minded, while women are caring. Of course there are lots of differences between men and women, and if Dr Melamed had asked different questions he could surely have found some. How do these managers talk to their colleagues at the coffee machine? Can they reverse-park their BMWs in the corporate car park? But the assumption that women are nice and soft while men love to walk on dead bodies does not stand up.

Watch the ways that boys and girls play in the playground. The slow, devious torture inflicted by the girls is every bit as horrid as the more overtly, aggressive style of the boys.

It seems that as soon as a woman succeeds in what has been a male preserve, she is said to be aping men. But in traditional women's domains no one ever thinks it odd if a headmistress or a ward sister is savagely hierarchical. They never say she is being macho. She is just herself.

Even if there were these hard/soft differences, they would be at best only the roughest averages, and therefore of no practical use. Think of your colleagues – some are male, some female. Some are "macho", others less so. End of story.

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What do managers actually do? I can tell you about partnership sourcing, strategy trees, about the pros and cons of knowledge management. But ask me this most basic of questions and I am not confident that I can supply an answer.

So when I received the Industrial Society's new guide to management (*High Flying* by Debra Allcock, £10.99. Published January 19), I fell upon the first chapter, which was called "What do managers do?".

As I read I discovered that being a manager "is the most challenging and rewarding job in the world" (which was news to me). I also found out the difference between a chief executive and a middle manager (which I knew already). But nowhere was there anything approaching a description of what any of them really gets up to between 9am and 5pm (or between 7.30am and 8pm, as the case may be).

This is the trouble with writing about management. It is so general, and much of the reality so dull, that it is much easier to talk about in the abstract. The job itself, the *managing* part, is hard to describe.

Still, I persisted with the book and was rewarded with some pretty odd advice. Apparently, the manager should never take the best desk or equipment but should take the worst. It is one thing to say that everyone should have the same working conditions, but to argue that the boss should have inferior ones is silly. Think what message that sends: get promoted and you will lose your window seat and have to sit in the corridor by the loo. If the Industrial Society really believes these signals matter in proving that the boss is on all fours with everyone else, then surely it should go the whole hog and recommend that managers should be paid less than the others. Given that managers' jobs are apparently such tremendous fun, they shouldn't mind too much.

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TECHNOLOGY BRAND PROTECTION

A tiny tag to take on the pirates

Paul Taylor looks at a new weapon in the battle against counterfeiters

Detecting fake, pirated products and "grey imports" has become a serious problem for manufacturers, retailers and customs officials.

Some estimates put the value of the counterfeit industry alone at more than $250bn (£149bn) a year, representing about 8 per cent of world trade. The impact of so-called "grey imports" – products diverted from lower price markets to be re-sold in high price regions – is harder to quantify, but is of considerable concern to big brands.

Flying Null, a technology start-up based in Cambridge, which was founded two years ago and is led by Dave Arnold, managing director, believes it has developed the answer using a magnetic sensing concept called the "flying null" which it has built into tiny magnetic "film" tags.

These tags can be easily and invisibly inserted into products or packaging and can be read with a simple scanner. Unlike other magnetic technologies there is no need for direct contact between the reader and the media – they can still be read inside packaging.

Like barcodes, they can store and communicate data on product authenticity, origin, batch number and so forth, but unlike barcodes they can be completely hidden, preserving packaging design and making them virtually tamper and corruption-proof.

Some silicon chip-based radio frequency identity tags provide similar functionality, but typically cost 10 times as much as the Flying Null tags. FN tags are also extremely small – they can be just 1mm square and one-fiftieth of a millimetre thick – and are heat and pressure resistant.

Mr Arnold, a physicist and former Thorn EMI scientist, says there are "hundreds of potential applications" for the FN technology in many different industries, but branded consumer goods producers have shown the most interest because of the technology's potential as a weapon in the war against pirates and counterfeiters.

Cigarette manufacturers, fashion labels and the perfume industry are looking at the technology as a way of controlling their sales channels and identifying counterfeit goods. It is also likely to be applied to sports goods and CD music.

"Due to its small size, easy reading and resilience, FN technology can play an important role throughout the product lifecycle," Mr Arnold adds.

Peter Low, assistant director of the International Chamber of Commerce's counterfeit intelligence bureau, says FN "could play a valuable role in the fight against counterfeiting".

It exploits the ability of alternating electromagnetic coils to scan, detect and interrogate soft magnetic material as it passes through a "null" region where a constant magnetic field falls to zero – similar to that produced mid-way between the like poles of two permanent magnets placed facing each other.

Using this system, the position of one or more pieces of magnetic material can be determined with great accuracy – enabling the reading of a coded tag.

BUSINESS TRAVEL INCENTIVE TRIPS

Been there, done that

Many companies are struggling to keep the 'wow' factor in travel rewards for executives, says Max Anderson

For nearly 40 years, companies have been rewarding their best-performing employees with increasingly exotic travel. In the 1960s it might have been a weekend in Paris; in the 1970s maybe a week on the Riviera; and by the 1980s your labours might have earned you two weeks in blissful Bali.

In the early 1990s, recession took the wind out of some sails, but today, with the millennium around the corner, company executives are searching for ever more exotic locations with which to encourage top performance.

Where exactly are these destinations? And how exotic can they get? "Travel is still highly motivational, and if a company is confident of getting a return, they will go for a high-cost incentive," says Edwina Lonsdale, sales and marketing manager of The Cruise Portfolio, an incentive travel group.

"But the trouble with incentive travel is that it suffers from a lot of 'been there, done that'."

Companies are going to the ends of the earth to increase the "wow" factor. Last year, Toshiba Australia rewarded its highest-performing computer dealers with a cruise around Greenland. The Molson beer company dropped its people in Tuktoyaktuk, North West Territories. This year, The Cruise Portfolio is pushing the South Pole as a "remote and real" incentive.

Finding a little-explored corner of the world for increasingly sophisticated, well-travelled people (many of whom are repeat winners) is not the only challenge. Incentives in the 1990s offer more exoticism in shorter trips.

According to Graham Frazer, travel managing director for Maritz, an incentive specialist, short-haul is back in vogue.

"In the seventies and eighties, every time [participants] did another trip, they wanted to go another thousand miles – the value was in the distance. But in the early nineties, companies could no longer afford for their staff to be away for 12 days; now they're much meaner with time and want it to happen within the working week."

This has forced both companies and their motivation agencies to think again. "Companies are looking for experiences more associated with lifestyle," says David King, marketing director of Maritz. "The trend is towards taking over a private chateau, or a cruise, closing the doors on the world and creating a house party atmosphere complete with all the trimmings, such as room gifts. The golden rule is, the experience cannot be replicated."

Focusing on unique events as well as the destination has resulted in action-packed, top-drawer "jollies" which not only make excellent carrots (and in some cases sharp sticks, such is the stigma of not scoring a golden ticket) but also allow companies to try out team-building exercises.

"There's definitely more soft adventure in incentive travel," says Roger Harvey, managing director of Motivtravel, part of the Motivforce Group. "For instance, we arranged a trip to America where people took part in white-water rafting, tandem sky-diving and riding a Harley Davidson along Route 66."

Clients have asked Mr Harvey to look at the feasibility of flying in MiG jets in Russia and acquiring a flotilla of Sigma 36 sailing boats so that participants can learn to race.

"We thought sailing might not be seen as fast enough, so we looked at ice rally driving in Scandinavia."

When adrenalin levels rise, however, so does the cost. "Insurance is extremely expensive," says Mr Harvey, "and we have to investigate that cost, as well as issues of expertise and safety, before recommending it to a client."

The most a UK company will invest is about $6,000 (£3,500) per head. US companies have paid up to $18,000 per head to provide the ultimate junket.

With so much incentive travel being tailored to clients wishes patterns are emerging. Of the three sectors using incentive travel, the automotive industry tends to pamper its principal dealers with plush retreats; the information technology industry likes to thrust its younger resellers into hands-on adventure; while financial services settles for a mix of the two.

Tastes differ by nationality. UK companies like it conservative and comfortable; French and Italian companies are happy to send their staff camel-riding in Namibia; while the Germans like it exotic *and* comfortable.

But where exactly are companies posting their hotshots in the 1990s?

Reports suggest America and the Caribbean are evergreens, and Zimbabwe still proves a popular destination. Argentina and Nepal appear to be new stars on the horizon, but the country that emerges as a fresh and much-desired incentive destination, especially for European-based companies, is Dubai.

"Dubai is huge," says Helen Cartmell, corporate marketing executive for Toshiba Information Systems, UK. "It's cosmopolitan, it's different, it's cheap, and it's very action-based, with plenty of activities being organised in the desert. It's also close, so there's no major time difference, and you don't need injections before you go."

As for the problem of choosing the next destination, Toshiba has been clever. "We let the present winners decide where they want to be sent next year. So they come up with somewhere they really want to go – and of course they work extra hard to make sure they qualify to be in on it."

'The country that emerges as a fresh and much-desired destination, especially for European-based companies, is Dubai'

TIM JACKSON
ON THE WEB

It's bidding, Jim, but not as we know it

A US company has powered ahead after launching an unusual sales mechanism

If you want to see a company pushing at the boundaries of American-style capitalism, take a look at PriceLine, a start-up that uses an unusual mechanism to sell things on the internet.

In April, PriceLine launched an innovative system for buying air tickets. You are asked to "name your price" for a specified route and rate and to provide a credit-card number to accompany your bid. If one of PriceLine's partner airlines is willing to sell a ticket at that price, the deal is done within an hour.

The company was covered in this column on the week of its launch. In its first six months, it received bids worth nearly $244m and sold more than 67,000 air tickets for around $15.5m.

It is now selling hotel stays and cars by the same mechanism, and is to launch a mortgage service. To expand further, PriceLine plans to raise $115m through an initial public offering on the Nasdaq stock market.

What lessons can this extraordinary growth story offer other businesses and investors? The first is about US securities laws. Despite their flaws, the filing regulations governing public offerings have provided in this case excellent protection for shareholders. PriceLine's registration statement for the offering (known as an S1, and available at the SEC's web site, *www.sec.gov*) set out, with clarity and honesty, the important points of the business, how it works and what the risks are.

Another lesson concerns investors' appetite for risk. After raising about $25m in equity, PriceLine spent $15.9m on marketing, mostly during the first month after the launch. Its marketing outlay is higher than total sales, and total losses over six months exceed $38m. The company also has negative gross margins; it sells tickets for less than it pays for them. The S1 lays out how the company proposes to improve matters, but adds: "If we do not succeed in achieving these objectives, we may never make a profit".

But investors are not the only ones willing to take a risk. Among the 100 people that founder Jay Walker attracted to the company in Stamford, Connecticut, are high-flyers from the airline and direct marketing industries, and Richard Braddock, a former president of Citibank who joined the company for a salary of $300,000, plus options on 5m shares.

PriceLine may be the first company to prove that Web businesses can promote themselves as successfully offline as online. Some 85 per cent of its bids have come via the Web, rather than through the 800 telephone number it operates, yet the company has avoided the expensive anchor tenancies on portal sites and banner ads that are common in the industry.

Instead, it spent its money on a big radio ad campaign, featuring William Shatner, who played Captain Kirk in the original *Star Trek*. The campaign made PriceLine the second most-recognised e-commerce brand in America (presumably after Amazon). To succeed in having the company's name or proposition identified by 32 per cent of all adult Americans for only $18m is a bargain-basement piece of brand-building.

William Shatner: radio enterprise

A further lesson is that PriceLine has got where it is without bothering too much about contract exclusivity. Its S1 admits that its airline deals have no exclusivity clauses and no guarantees. Mr Walker realised that such barriers to entry are less important than being the first mover in the market and the best-known.

PriceLine's registration statement leaves one question unanswered: will the business make money? The important point is that with only 5 per cent of the total bids resulting in a successful sale, a large number of customers have failed in their bids. Over the long-term, customers will be unwilling to continue phoning or filling in forms on *www.priceline.com* if the chance of a successful bid is only one-in-20. PriceLine must, therefore, obtain inventory at reasonable prices quickly if it is to capitalise on consumer awareness.

I couldn't find a quarterly breakdown of sales in the registration statement. But according to a news snippet somewhere on the Web, the company was claiming $10m of sales three months after launch. If that is correct, then the sales run rate fell by a half in the second quarter, implying that the benefits of the ad campaign quickly melted away.

The moral for investors? A fascinating company that could do spectacularly well; but clearly a big risk.

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From next week, Tim Jackson's column will appear on Tuesdays and from this week our File From... column will be published every other Friday.

OPENINGS

PARIS
At the Odéon Théâtre de l'Europe, Alain Milianti's production of Brecht's *Sainte Jeanne des Abattoirs* opens on Thursday.
At the Théâtre National de la Colline, the playwright Michel Vinaver presents a new version of his play *Les Huissiers*, opening on Wednesday. Alain Françon directs.

LONDON
Tonight, one of last year's most successful plays opens in the West End: *The Memory of Water*, by Shelagh Stephenson, now at the Vaudeville Theatre. The playwright/director Terry Johnson directs; the three actresses are Alison Steadman (right), Samantha Bond and Julia Sawalha.

Tomorrow night the Tricycle Theatre launches its latest political production, a dramatisation of the Stephen Lawrence investigation: *The Colour of Justice*, edited by Richard Norton-Taylor and directed by Nicolas Kent with Surian Fletcher-Jones.
Messiaen (right) is the subject of the BBC's annual composer weekend. The opening concert on Friday at Westminster Cathedral features *Poèmes pour Mi* and *Eclairs sur l'au-delà*, conducted by Andrew Davis. Most of the remaining concerts are at the Barbican.
English National Ballet ends its London season at the Coliseum by playing Michael Corder's elegant (and prize-winning) version of *Cinderella* this week. On Tuesday the Royal Ballet ends its season on the Royal Festival Hall's less-than-deep stage with a run of *Romeo and Juliet* in MacMillan's irresistible version.

NEW YORK
Dosso Dossi was the last of the great Ferrarese painters, much influenced by Giorgione and Titian. The exhibition of his work which opens at the Metropolitan Museum on Thursday includes rarely lent masterpieces from the Borghese Gallery in Rome and other European collections.

MILAN
Prokofiev's opera *The Fiery Angel* is revived at La Scala for eight performances starting on Thursday. Bruno Bartoletti conducts a staging by Giancarlo Cobelli, with Karen Huffstodt and Elmira Magomedova singing alternate performances as Renata.

STRASBOURG
The Opéra du Rhin marks the Poulenc centenary with a new production of *Dialogues des Carmélites* at the Théâtre Municipal on Sunday. Jan Latham-Koenig conducts a staging by Marthe Keller, with a cast including Nadine Denize, Hedwig Fassbaender, Anne-Sophie Schmidt and Didier Henry. The same performers will bring the work to the London Proms in early August.

MADRID
The latest exhibition at the Fundación Juan March is devoted to paintings by Marc Chagall, with a particular emphasis on the Jewish influences in his work. It opens on Friday, and moves to Barcelona in April.

BARBADOS
The small but perfectly formed Barbados jazz festival opens on Wednesday with the bland but popular musings of saxophonist Kenny G (above). Things get more serious on Friday with the appearance of explosive young US drummer Cindy Blackman.

'Why do I compose? Because I can't leave this fantastic sound hovering in mid-air.' Sofia Gubaidulina with her cat, Pluscha

Malcolm Crowthers

Harmony from the sound of silence

On the eve of Sofia Gubaidulina's visit to London, **Andrew Clark** visits the composer at her rural idyll outside Hamburg

Pluscha the cat springs on to Sofia Gubaidulina's lap and settles for an afternoon nap. We're in Gubaidulina's bungalow, a rural idyll 30 miles north of Hamburg. There's not a sound to be heard, save Pluscha's quiet purring and the measured tones of Gubaidulina's voice. No traffic, no telephone, no music. Silence.

"Silence is not an inspiration, it's a necessity," says Gubaidulina, whose music frequently explores the polarity between sound and silence. "Composing is an act of silence. Music needs stillness. Much exists where there is shadow, darkness, emptiness, stillness. Everything becomes possible there, and music makes it audible."

Gubaidulina speaks carefully, elliptically, enigmatically, resorting to symbolic word-pictures to express philosophical/aesthetic concepts. She doesn't talk easily – a sign that she guards her private world, preferring to let music articulate her thoughts and visions. But she is clearly content. She describes her north German home, to which she and her husband moved from Russia in 1992, as a "paradise" – meaning she now has all the time she needs to compose. Life in Moscow, where her daughter still lives, was chaotic. "There were too many mundane things to interrupt work."

For a composer who likes to explore the mystical serenity of the inner self, quiet and solitude are more important than a foot on Russian soil. Gubaidulina says she misses nothing about her homeland. There are enough "spiritual links" with family, friends and musicians to stop her feeling isolated; and enough commissions to keep her occupied for many a year. Right now, she's trying to finish a concerto for two violas, to be premiered by the New York Philharmonic at Lincoln Center on April 29 – the very night the NHK Symphony Orchestra visits Carnegie Hall with her new concerto for koto and zhen.

But she's happy to take time off to talk to me, and to visit London this week for the UK premiere of her *Canticle of the Sun*. Scored for solo cello, percussion and chamber choir, it will be played by its dedicatee, Mstislav Rostropovich, at the Barbican on Wednesday, with members of the London Symphony Orchestra and Chorus. The piece is a setting of poems by St Francis of Assisi, celebrating the wonders of creation – and like all Gubaidulina's works, it is distinguished by its clarity and oddity.

No one who meets Gubaidulina or listens to her music can fail to recognise a free spirit. Born in 1931 in Chistopol in the far eastern Tatar region of Russia, and educated at the conservatoires in Kazan and Moscow, she has a pedigree every bit as distinctive as her music. She is half Tatar – her grandfather was an Islamic mullah – and half Russian Orthodox. But the greatest influence was that of her Jewish teachers, who gave her the "spiritual blood" of German literature, music and philosophy. It was they who taught her that art was "of the highest value, almost holy".

As a child, she prayed that she would become a composer, whatever the sacrifice, and her prayer was granted – though she paid dearly for it during the Soviet era. She was of a generation of Russians who found inspiration in western avant-garde techniques and were cold-shouldered by the Moscow establishment.

Gubaidulina's music is still infrequently performed in Russia. In communist times, the problem was ideological: her reverence for anguished Christian symbols did not go down well with the authorities. Today, the problem is financial: there simply is not enough money to promote big contemporary scores.

But there was never any problem in the west. Long before Gubaidulina was first allowed to travel abroad in the mid-1980s, she was identified – along with Schnittke and Denisov – as a leading representative of the New Music emanating from Soviet Russia. Together, they captured the imagination of western musical capitals. Gubaidulina, 68, is the sole survivor.

Unlike Denisov, Gubaidulina never wholly embraced the western experimental tradition; and unlike Schnittke, she eschews the suffering Russian soul. Her music moves between past and present, uniting traditional chords, clusters of notes, orchestral sounds suggestive of electronics, and silence – all bound into a cohesive personal style, at once serene and theatrical. She moves equally freely between east and west, recognising "something oriental in my subconscious – I feel at ease with Chinese and Japanese culture. Maybe I inherited it from my grandfather, this tendency towards contemplation and quiet sounds. Then comes activity, contrast, intellectual struggle, a longing for classicism. That's my western side."

The oriental influence is overt in the new concerto for koto and zhen, a work inspired by koto virtuoso Kazue Sawai. The two solo instruments – one Japanese, the other Chinese – are related: in each case, the strings on the left half of the instrument are plucked, while the right half is strummed. Gubaidulina interprets the zhen as the shadow of the koto (it is tuned a quarter-tone lower), and there is a similar division in the accompanying string orchestra. Like so much of her work, the concerto implies a metamorphosis between polarities – in this case not just east and west, but light and shade.

'Music needs stillness. Much exists where there is shadow, darkness, emptiness. Everything becomes possible there, and music makes it audible'

The work's formal title is *In the shadow of the tree*, reflecting a Jungian belief that darkness can be a positive force. Reciting Rilke's "Ich liebe meines Wesens dunkle Stunde" (I love the dark hour of my being), she explains that the shadow represents our subconscious, a place where life's potential resides. "It's the base from which everything grows. But it's not *only* positive, because the subconscious has everything in it, good and bad. It's important to prise something out of this rich world because it helps to define the light."

Such symbolism stands in direct contrast to the inspiration behind her violin concerto, in which a theme from Bach's *Musical Offering* is figuratively offered for sacrifice before emerging transformed. *Offertorium* finds Gubaidulina looking west – to her Slav spirituality and the classical balance of Bach. "Every composer faces a psychological struggle between intuition and intellect, fantasy and structure. The aim is to keep the two in proportion. That's why Bach remains my ideal. He never allowed his fiery intuition to evaporate in the intellectual process of transforming it into music."

Gubaidulina recalls Schnittke telling her that his inspiration invariably came from a single musical cell, which he developed slowly and painfully until all was revealed. "In my case it's the opposite. In the first instance, perhaps on a walk, I hear a huge, shapeless, multi-faceted sound, absolutely fascinating, with everything piled up together in a way you could never notate – something which exists outside time. It's like a present, and I consider it a duty to transform it from vertical to horizontal.

"Why do I compose? Because I can't leave this fantastic sound hovering in mid-air. It's a big task to unravel it. I sense a moment here, a moment there, then suddenly I come to the beginning, and that's when I start to write it out, without quite knowing how it will develop."

She says audiences experience the process in reverse order. "Thanks to the hidden power of memory, the listener follows the horizontal form, and builds it back into the vertical."

Sensing that this is a conversation-stopper, Pluscha rouses herself and drops to the floor. The interview ends, there's no small talk. Gubaidulina needs to get back to work. She accompanies me to the door and retreats, into silence and solitude.

BALLET IREK MUKHAMEDOV

Charmed by a unique talent

I sat in London's Royal Festival Hall on Thursday, watching my fourth performance of *La Fille mal gardée* in six days, feeling happier than I dared expect after earlier viewings. The reason was the sympathetic casting – Miyako Yoshida as Lise; Peter Abegglen as Alain; Alastair Marriott as Simone – and, most particularly, because of Irek Mukhamedov as Colas.

I do not know of a finer dance-actor today. There are more brilliant virtuosi, but, like no other danseur of our time, Mukhamedov fires the imagination as he fires the choreography he shows us. This was clear in his first appearances with the Bolshoi Ballet in the early 1980s – his hero in *The Golden Age*, his Spartacus, his Ivan, had a truth that compelled our belief in the ballet. In his Royal Ballet repertory he has proved his right to every accolade – we have but to recall his Rudolf in *Mayerling*, his Romeo and his Lescaut, his created roles in *Winter Dreams* and *Judas Tree* to see the flowering of his Bolshoy-shaped gifts. And, after 50 years in which I have seen almost every leading incumbent of the role of Albrecht in *Giselle*, I think Mukhamedov the finest, the most credible as an icon of romanticism.

He is a unique artist, and in Thursday's *Fille* he showed us why. Colas is a role he has played with blithest good humour and grace in the past. On this occasion the charm and freshness of his acting seemed to galvanise the staging. If, at briefest moments, he let us see how much fun he was having, we enjoyed the conspiracy with him. But, in essence, this was an interpretation in which the fabric of the role looked as bright as when it was first made, the by-play with Lise and Simone new-minted and delightful.

It is, in many ways, a very Russian performance, big in shape as in emotional and physical impulse, but it is subtle, too, and sweet-natured. Mukhamedov's Colas is a devastating charmer, yet generous-hearted. He wins his Lise because he deserves to, just as he wins our affections. And, looking in splendid form, Mukhamedov danced up several storms in the corn-field duet: movement bold in scale as in dramatic conviction.

It is a wonderful reading, and Miyako Yoshida's Lise warmed to it, flying in prettiest jumps, playing to her lover with a trusting happiness – how touching the ribbon dances, the pink satin making a web of innocent happiness around the pair. Peter Abegglen's Alain put not a foot nor a zany grin wrong. This is a lively and excellently understood reading in the manner of Alexander Grant, Alain's great originator. Alastair Marriott showed that Simone had a heart as well as a pair of clogs, and the character won our affections. All in all, an evening that restored and illuminated *Fille's* rightful claim to be a masterpiece.

Clement Crisp

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Japanese Scrolls: 40 works from the collection of the Kumamoto Prefectural Museum of Art in Japan, including pictures of courtesans and nature illustrations; to Jan 17

BERLIN

EXHIBITION
Hamburger Bahnhof
Sensation: works fom the Saatchi collection of Young British Artists including Damien Hirst, Rachel Whiteread and the Chapman brothers. Originated at the Royal Academy in London last year, where it attracted 350,000 visitors and maximum publicity; to Jan 17

BIRMINGHAM

EXHIBITION
Birmingham Museums and Art Gallery
Tel: 44-121-235 2834
Sir Edward Burne-Jones: *comprising more than 200 works,* including tapestries and jewellery as well as paintings. A second generation Pre-Raphaelite, Burne-Jones also had a lifelong working relationship with William Morris, for whose firm he worked as a principal designer. The exhibition will travel to Paris next year; to Jan 17

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Jan 15

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Stephen Osborne; Jan 16
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Yvonne Loriod; Jan 17
● London Symphony Orchestra: conducted by Ryusuke Numajiri in works by Saint-Saëns and Tchaikovsky, as well as the UK premiere of Sofia Gubaidulina's The Canticle of the Sun. Featuring cello soloist Mstislav Rostropovich; Jan 13

EXHIBITIONS
Royal Academy of Arts
Tel: 44-171-300 8000
Charlotte Salomon: born in Berlin in 1917, Charlotte Salomon died in Auschwitz in 1943, after living in hiding in the south of France for three years, during which time she produced a series of 769 gouaches, a selection of which are exhibited here; to Jan 17

Tate Gallery
Tel: 44-171-887 8000
John Singer Sargent: large-scale retrospective containing 150 paintings, including major public and private loans. Includes late landscapes and American and British society portraits from the 1880s to the early 1900s; to Jan 17

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leech and John Atkins; Jan 13, 16

MILAN

OPERA
La Scala
Tel: 39-02-88791
The Fiery Angel: by Prokofiev. Bruno Bartoletti conducts a staging by Giancarlo Cobelli, with Karen Huffstodt and Elmira Magomedova singing alternate performances as Renata; Jan 14

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Thomas Zehetmair; Jan 11, 12, 14, 15
● Philharmonia Orchestra London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms. With piano soloist Tzimon Barto; Jan 17

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts, in a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 15

NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
Celebrating Five Decades of Repertory: New York City Ballet has the largest repertory of any dance company in the world. Continuing the celebrations of its 50th anniversary, it presents a selection of works from that repertory, including revivals of Bugaku, Irish Fantasy and Balanchine's Liebeslieder Walzer; Jan 12, 13, 14, 15, 16, 17

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Heroic Armour of the Italian Renaissance: Filippo Negroli and His Contemporaries. Comprehensive survey of the classically inspired armour made by the most celebrated Italian armourer of the 16th century. Includes more than 60 richly decorated suits of armour, worn by Renaissance kings and captains. Includes public and private loans from Europe and North America; to Jan 17
● Sacred Visions: Early Paintings from Central Tibet. 60 works from the 11th to the mid-15th century, including thankas (paintings on cloth), painted book covers and related sculptures; to Jan 17
● Dossi Dossi, Court Painter in Renaissance Ferrara: display of some 60 works by the 16th-century painter, much influenced by Giorgione and Titian. Includes rarely lent masterpieces from the Borghese Gallery in Rome and other European collections; from Jan 14 to Mar 28

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Jan 14

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Lorin Maazel in works by Weber, Debussy, Schubert and Ravel; Jan 13, 14

EXHIBITION
Grand Palais
Tel: 33-1-4413 1730
Lorenzo Lotto: Rediscovered Master of the Renaissance. 50 paintings, many of them on loan from churches and museums in Italy; to Jan 11

PRAGUE

DANCE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Jan 15, 16

THEATRE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan Rajmont; Jan 11

ROME

EXHIBITION
Palazzo Ruspoli
Tel: 39-6-6830 7344
www.palazzoruspoli.it
The Denis Mahon Collection: last stop for the touring exhibition of more than 80 Italian baroque paintings collected by Denis Mahon, and featuring works by Guercino; to Jan 15

TOKYO

EXHIBITION
Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Opie; to Jan 17

TV AND RADIO

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19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

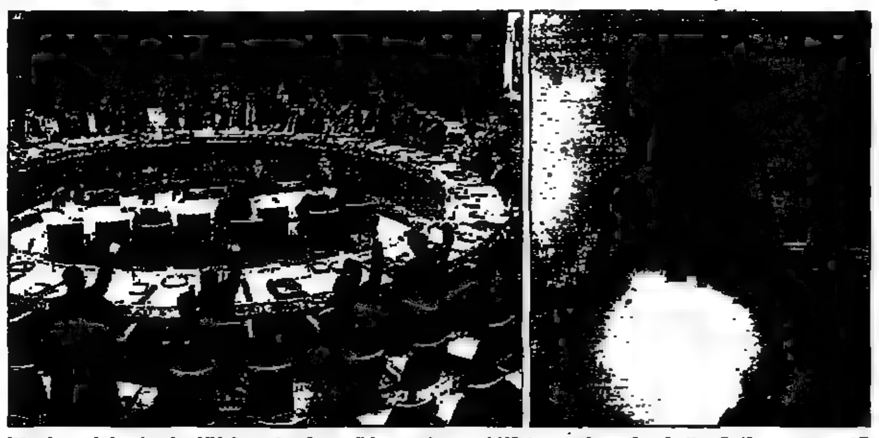
PERSONAL VIEW RICHARD N. HAASS

A question of force

The role of the UN Security Council is under scrutiny. But the idea that its authority should be a prerequisite for military intervention is one that must be resisted

There is a growing debate about the United Nations – one that has nothing to do with the United States paying the dues it owes in exchange for the UN undertaking much-needed reform.

The real UN debate is about the Security Council and its role in the post-cold war world. The question is basic and far-reaching: should Security Council authority be necessary before the US or anyone else can legitimately use military force?



Words and deeds: the UN Security Council in session and US troops in action in the Gulf AP

This is the position embraced by Russia, which otherwise rejects bombing Belgrade over Kosovo. It is a position voiced by the new German government, which seeks to make sure that Nato cannot use force outside its formal treaty area without an explicit Security Council mandate. And it is heard in the Arab world from those who oppose any new attacks on Iraq.

The idea that Security Council backing constitutes a necessary prelude to using force gained strength with the cold war's end. No longer was a Soviet (later Russian) veto automatic. The Gulf war demonstrated the value of Security Council resolutions in helping to build the international coalition that liberated Kuwait.

Nevertheless, the notion that Security Council action is a prerequisite to using military force must be resisted and left out of any new Nato "strategic concept". It is not simply because the Security Council is far from representative, although it is. The five permanent members – the US, Britain, France, Russia and China – represent only a third of the world's peoples.

Nor is it simply because the Security Council and the UN lack the capacity to fund or implement decisions, which they do. The UN is not a nation-state with a treasury and an army, and should not presume to act like one.

No, the real reason UN Security Council approval should not be a prerequisite for using force in today's world is that there is no consensus among the five veto-wielding permanent members as to what constitutes appropriate grounds for doing so.

China opposes anything that would hinder its ability to act against Taiwan or that would set a precedent for the world "interfering" on behalf of human rights inside China. A weak Russia, meanwhile, views its Security Council role as one of its few remaining claims to being a great power. Acting out this charade requires that an increasingly nationalistic and frustrated Russia stymies US initiatives.

France, too, cannot always resist the temptation to thwart American leadership in order to demonstrate that it cannot be ignored. Elevating the Security Council to a position of arbiter would hobble the US, the one country most able and willing to use force to promote not only its own interests but often those of others. It could also block British and French intervention on those occasions they might determine to act.

Ideally, the post-cold war world would be based on a number of rules and goals: slowing the spread of biological, chemical and nuclear weapons, promoting the peaceful settlement of disputes, bolstering democracy and markets, protecting people from genocide. Unfortunately, the Security Council is not able to agree on these ends, much less on what should be done to promote them.

The reality is a Security Council that is not some modern-day equivalent of the early 19th-century concert of powers. To carry on as if such consensus existed would be to invite inaction, which would lead to more weapons proliferation, more conflict, more repression.

Recent experience bears this out. Hundreds of thousands died in Bosnia, Rwanda and Kosovo while the Security Council dithered. A requirement for Security Council consensus would effectively leave Iraq free to develop and conceal weapons of mass destruction. There would be no initiative for dealing with a North Korea that starves its people while it feeds its army and possibly develops nuclear weapons.

From the perspective of Washington, a strong UN Security Council is not an interest, only an instrument. The US should work with it when it promotes order and justice in the world – and around it when it does not.

The alternative to a world in which the Security Council plays a central role is not anarchy. International law exists in the absence of Security Council votes: states would have been on firm ground liberating Kuwait on the basis of Article 51 of the UN Charter and the right of self-defence. And there is a growing body of law and precedent that provides a right to intervene and violate sovereignty when governments abuse their powers against their own citizens.

What is more, use of force by the US or anyone else without Security Council blessing need not be unilateral. Multilateralism comes in many forms, from regional groupings such as Nato and the Organisation of African Unity to informal groupings such as the coalition that fought and won Desert Storm.

Such ad hocracy is not ideal, and in an ideal world we would be able to depend on acting with formal Security Council mandates. But ours remains very much a world of nationalism and of competing interests and values.

As a result, legitimacy cannot be viewed as something to be handed down; rather, legitimacy must stem from the ends and means of what the US or anyone chooses to do. It is then up to the court of domestic and international public opinion, not the Security Council, to judge.

The author is director of foreign policy studies at the Brookings Institution in Washington

LETTERS TO THE EDITOR

Time to do away with doctrinaire notions of public/private healthcare

From Mr Michael Tremblay.

Sir, The National Health Service in England and Wales spends some £30bn annually. This is public spending at the rate of £82m a day, or £3.37m per hour, 24 hours a day, seven days a week.

Allocating £159m for winter crisis projects represents 116 hours of NHS running time, spread across some 400 NHS trusts and 48m people.

The real spending and scale is considerably larger, and the scale of the problem greater.

Progressive productivity improvements have been achieved by eliminating the essential idle capacity that is needed in the provision of health to deal with the known fluctuations in the demand for acute in-patient services.

The UK is unique in segregating its public and private health systems, making access to additional capacity within the country's available resources a political issue rather than an intelligent decision to utilise all available resources.

This newspaper recently praised the French health system. There are international lessons from these countries which integrate public and private providers within the national health system, and which permit people a free choice to purchase extra care.

The time has come to consider a more flexible and truly national health system, which does away with doctrinaire notions of public and private.

Michael Tremblay,
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41 Highover Park,
Amersham,
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UK.

Argument over plan to tax aggregates

From Mr J.D. Wertheim.

Sir, Further to Sheila Jones' report today ("Green Tax 'will hit jobs'", January 6) on manufacturing in the north of England, Brunner Mond is not the UK's biggest producer of soda ash – it is the UK's only producer, of soda ash as well as of sodium bicarbonate.

These products are essential to producers of glass, detergents, pharmaceuticals and confectionery.

Limestone is essential to the manufacture of soda ash.

Our argument with the government over the proposed aggregates tax is that we use limestone as a chemical intermediate, for its mineral content, not as a construction material.

There is no alternative material available to us, and the same applies, as Sheila Jones pointed out, to glassmakers and other UK manufacturers.

Brunner Mond fully supports the principle of environmental improvement but, if environmental taxation is to be one of the means of achieving this, it must be carefully thought through and not applied wholesale in a primitive form.

Otherwise, by driving people out of business, it will have precisely the opposite effect to that intended.

J. David Wertheim,
chairman and chief executive,
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Northwich,
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UK.

A present sent to itself

From Mr David Palfreyman.

Sir, The rise in share values in the last days of 1998 seems to have caused mild surprise to some investment industry observers.

For those who pay fees to have our financial assets managed by the investment industry, it causes no surprise to see the value of those assets inflated just before year-end, since the fees charged for the investment management service are based on capital value, and since it makes life easier for the manager to display higher performance figures than would otherwise be the case.

These cynical thoughts assume that at a time of thin trading the investment industry effectively is the market and hence can so easily and so profitably drive it up as a Christmas present to itself. Or is such manipulation of "the market" a technical impossibility?

David Palfreyman,
The Bursar, New College,
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UK.

Pitfalls in the push for technological progress

From Rambod Behboodi.

Sir, Your leader on the Year 2000 problem ("Bomb with a 360-day fuse", January 5) neatly summed up the difficulties inherent in our unrestrained push for technological progress.

You note that the most exasperating feature of the millennium bomb is that nobody knows how much disruption will be caused. Surely that observation is valid for just about every facet of our modern existence: who knows what will be the long-term impact of a host of technological developments introduced to make our lives better, safer and longer?

Every day we are told of inventions and innovative processes, or of chemicals and drugs that will save our lives – or, even better, make us happier. Every day we become more dependent on these trappings of modern existence. What is more, we have come to accept not just the concrete products of the technological process – faster computers or perfect fruits – but the process itself: to even ask whether it is necessary to have faster computer chips or larger memories is to pose a question incomprehensible to all but the technologically minded.

However, as you point out, this is a dependence with frightening consequences; frightening, because they are unknown, because they are not reflected upon.

This dependence speaks, to some extent, of the usefulness of technology and technological progress. Travel is much more pleasant aboard a 747 than braving the high seas for months on end; healthcare is better; distribution and production of food is easier. Nevertheless, as the costs begin to mount – and all because of a minor technical failure – perhaps it is time to seriously reconsider our relationship to technology and our definition of progress.

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The reluctant revolution

Deep inhibition has paralysed much of Romania since Nicolae Ceauşescu's bloody overthrow, as the people struggle to escape their communist past, writes **John Lloyd**

10 years after

A tank's machinegun fired in the Bucharest night nine Christmases ago. I was rushed, with two other journalists, into the nearby foreign ministry. We sat in a small room with a man in his early 70s. He wore a cynical smile.

His name was Silviu Brucan, one of the half-dozen organisers of the revolution in the Romanian Communist party that a few days earlier had forced the country's leader, Nicolae Ceauşescu and his wife, Elena, to flee the capital. They were later arrested, summarily tried and shot.

Mr Brucan had agreed to meet us at night in the foreign ministry to tell us something of what he knew and had done. His story was of the internal breakdown of the Ceauşescu order. It was a tale of a group of communist intellectuals, such as Mr Brucan, which saw, in the eruption of popular dissent that December, its chance.

Nine years to the day later, I sat in Mr Brucan's study to hear what he made of "his" revolution. His story was full of paradoxes.

After the uprising he had broken, bitterly, with Ion Iliescu, the man who emerged as the first president of post-communist Romania. Yet Mr Brucan has prospered, recently becoming a leading TV personality with an acidic weekly political commentary. He is still on the left but believes capitalism alone can save Romania. He excoriates the seven-year rule of Mr Iliescu for its belief in "Ceauşescu statism" – but says Mr Iliescu did establish democratic institutions and allow free expression.

Dorel Sandor, a prominent political analyst of successive administrations since 1990, says: "Iliescu was the good, kindly uncle to Ceauşescu's bad father. He smiled all the time."

Ceauşescu's *securitate*, or secret police, ensured society could never become civil. Yet the *securitate* has never been investigated. General Iulian Vlad, its commander, and a handful of others were tried for suppressing the 1989 riots and received three-year sentences, nothing more.

Shadow of the past: children play in the snow outside Ceauşescu's Palace of the People in Bucharest Reuters

"There is a draft law on opening up the *securitate* files," says Mr Brucan, "but most deputies are against it. Why? Because everyone who wanted to do anything under Ceauşescu had to have contact with the *securitate*. Now everyone's afraid; they don't know what is in these files."

'It is hard to start a business here. The banks won't give you credit. If you do get started, bribery is everywhere and expensive'

A deep inhibition therefore paralyses much of Romanian society. This, says Mr Brucan, has had two effects: it has made Romanian capitalism a hole-in-the-corner affair, in which former communist bosses have been transformed into capitalist bosses; and it has paralysed economic reform.

In his recent book, *From Party Hacks to Nouveaux Riches*, Mr Brucan details the acquisition of wealth by the associates and relatives of the Ceauşescu clan.

General Victor Stanculescu is typical. He was chief of the supply section of the defence ministry, then turned to trading with the UK companies Balli Trading and Kay International, and now runs the Anglo-Romanian insurance company.

Mr Stanculescu's transformation is, Mr Brucan says, the "symbiosis of power and capital": capital and expertise that had been monopolised by the state was grabbed, in the post-revolutionary period, by those in or close to the new elite. The post-communist government depends on their financial and media support. It is harder for "clean" capitalism to take root. Mr Brucan identifies "corridors" to post-communist wealth, including membership of the former politburo, the import-export sector and state banks, and one that he calls "the corridor of self-made men".

I met someone from the last category – in fact a self-made woman. Virginia Gheorgiu is vice-president of the Tofan group. The company was started by Gelu Tofan, a tyre factory worker who began his own business with a loan of $50,000 from a brother in Canada. Tofan group is the country's largest tyremaker and is increasingly powerful in media and agribusiness. Her experience is instructive. "It is hard to start a business here. The banks won't give you credit. If you do get started, bribery is everywhere and expensive."

The second effect is the impact on economic reform. Mr Iliescu, says Mr Brucan, knew little and cared less about transforming Romania into a market economy. Dorel Sandor adds: "No one was out on the streets in December 1989 demonstrating for capitalism – on the contrary. Romanians had been taught to hate capitalism."

Petre Roman, the present leader of the senate and the first post-communist prime minister, attempted reform but only, says Mr Brucan, under pressure from the European Union and the International Monetary Fund.

Emil Constantinescu, who replaced Mr Iliescu at the end of 1996, promised to get Romania into Nato, the western defence alliance, and the EU; open up the *securitate* files, raise the standard of living and privatise industry. So far he has done little.

Radu Vasile, the second prime minister to serve under Mr Constantinescu, has agreed to close 30 of Romania's largest 2,100 loss-making enterprises that account for 15 per cent of total losses.

On this occasion Mr Brucan is more optimistic. "I think it might stick this time," he says. Mr Vasile is trying to make headway before a team from the IMF arrives on Saturday to decide whether to give Romania more than $400m in financial assistance.

"I think closing these plants will be enough to keep the IMF happy. They cannot fail in Romania after they have failed in Russia," says Mr Brucan.

He reveals his cynical smile. "It has taken us nine years to get to this state and we still don't know if we want a reform." Beginning its 10th year, the Romanian revolution is reluctant, even now, to dismantle the structures with which its leaders emerged.

I will not be a human sacrifice, insists Cresson

FINANCIAL TIMES

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Monday January 11 1999

IMF as lender of last resort

The global financial blaze has, for the moment, died down. This gives policymakers the opportunity to consider fundamental reforms of the financial system, while they remember the urgency of the task. To their credit, some are doing so. Prominent among them is Stanley Fischer, first deputy managing director of the International Monetary Fund, who started off the new year with an examination of the case for an international lender of last resort.

The speech Mr Fischer gave on January 3 is triply welcome. First, it laid down the right objective, which is to make international capital markets operate as well as the better domestic markets. Second, it admitted that they have failed to do so. Third, it recognised that improving the financial systems and economic policies of the emerging market economies alone is not enough.

Within advanced financial systems, one answer to excessive volatility has been a lender of last resort. Is such a lender needed in international finance as well and, if so, can any institution play that role? The answers are that it is needed and, to an extent, is feasible.

The argument for a lender of last resort derives from the lack of information inherent in financial markets and the consequent risk of panic. This risk is even greater in international than in domestic lending. Not only is there currency risk as well, but the lack of information is usually far greater.

The purpose of an international lender of last resort is to reduce the currency risk. This is the one risk a domestic lender of last resort cannot meet, unless international borrowing is in the national currency. There are alternatives: a country can, for example, hold large foreign exchange reserves; it can regulate foreign currency borrowing; and it can improve transparency, corporate governance and the soundness of its financial system. But these steps are costly or difficult.

A case can therefore be made for creating an international lender of last resort. As Mr Fischer notes, the IMF does already play such a role. The goal should be to improve its ability to do so. But this idea meets at least three objections.

First, it can be argued that no lender of last resort would be needed if exchange rates floated. This is true, to a certain extent. But floating rates also impose significant costs. It is not unreasonable therefore to offer a degree of insurance to countries trying to limit currency volatility.

Second, it is noted that the IMF's resources are not – and never will be – infinite. This must constrain its ability to be a lender of last resort. But it can still play the roles of crisis lender and crisis manager. Even limited resources can assuage panic in reasonably sound policy environments. Yet a case can also be made for giving the IMF larger resources, since it is only a third as big in relation to world output as it was in 1945.

Third, it is argued that the IMF cannot make the necessary distinctions between countries that deserve lender-of-last-resort assistance and those that do not.

In 1997, it introduced the supplemental reserve facility, which allows it to make short-term loans, at penalty rates, to countries in crisis. It is now considering introducing a contingency or precautionary facility. But to do this, it needs to "pre-qualify" countries. Difficulties obviously arise. How, for example, does one deal with crises in important countries that do not pre-qualify? And what does one do if a pre-qualified country starts to pursue more irresponsible policies?

Imperfection and compromise are indeed inevitable. But it is difficult to believe the world is unable to do better than it is. There are sound reasons to believe the IMF can play some of the roles of a lender of last resort. The effort to allow it to do so more effectively than hitherto must now be made.

A vital decision in Strasbourg

The European parliament, the institution supposed to provide democratic control over the operations of the European Union, is contemplating drastic action this week. It is set today to debate a motion of censure of the European Commission – the EU executive – and to vote on it on Thursday. The motion amounts to the constitutional equivalent of a nuclear weapon: if approved by a two-thirds majority, the 20-member Commission would be forced to resign, and the activities of the EU would be brought to a virtual standstill.

Members of the parliament should think hard and long before they press the button. Both institutions could end up weakened and discredited.

It is understandable that the parliament is angry and frustrated. The charges against the Commission are of mismanagement and cronyism, leading in certain cases to outright fraud. Jacques Santer, the Commission president, and his colleagues have failed to provide adequate reassurances that the cases are being properly investigated, and that those responsible – including commissioners themselves – will carry the can. They have brought the censure motion on themselves, by insisting that they stand or fall together.

That may prove to be a false solidarity, although it is a legal one. The Commission is a college, appointed by all 15 member states. But its members have great latitude in their actions, and Mr Santer cannot sack individuals, even if they are idle or incompetent. Short of a full-scale investigation by the European Court, they can only be shamed into resignation.

Much has been done to improve the financial and personnel management of the Commission in recent years, not least thanks to reforms introduced by Erkki Liikanen, the budget commissioner, although even he is under attack from some quarters. Indeed, most of the cases in question pre-date this Commission. But dubious personnel appointments have persisted, as does inadequate financial supervision.

An important part of the problem lies with the proliferation of tasks imposed on the Commission – often by the parliament or Council of Ministers, but also self-inflicted – for which it does not have adequate resources. The aid programme, and assistance to the emerging democracies of eastern Europe, are classic instances. Overstretched and understaffed, the Commission hires outside contractors to do its work, and temporary staff on extended contracts. Mr Santer defends such "administrative acrobatics". But when the rules get bent, opportunities for outright corruption are created.

Reforms are urgently needed, and not least a more realistic approach to staffing and budget policy from the Council of Ministers, the Commission's paymaster. Investigation of corruption should be made entirely independent of the Commission, perhaps by strengthening the Court of Auditors. And member states must put their own houses in order: most corruption in EU spending involves national administrations, not Brussels.

These cases are not adequate grounds for sacking the entire Commission. By using a nuclear weapon, the parliament could damage itself. The danger is that if the censure motion is passed by a majority short of two-thirds, the Commission will ignore it, but be mortally wounded. If it is approved by two-thirds (and an absolute majority of all MEPs), the member states may be tempted to overrule them, and reappoint the Commission, rather than let all EU affairs grind to a halt. After all, the parliament is due to be disbanded for new elections in the summer, but the Commission has a job to do. In particular, Agenda 2000, the vital package of financial reforms needed to pave the way for enlargement, must be approved this year if budget finance is to continue.

There may be grounds for naming and shaming individual commissioners, however. Those who face charges of cronyism or mismanagement should be prepared to confront the European parliament and explain themselves. If they cannot do so, they should recognise that they have lost the confidence of the parliament, and do the honourable thing: resign.

World status begins at home

Japan's prime minister, is in Europe trying to promote the yen, but his ailing country would be better served by a strong regional policy, write Paul Abrahams and Michiyo Nakamoto

The timing of the European tour by Keizo Obuchi, Japan's embattled prime minister, is hardly accidental.

Mr Obuchi chose the week when the euro began trading to go on a sales mission to boost his country's currency. Japan might be accustomed to existing in a dollar-denominated world, but a successful euro could further marginalise the yen, confirming its status as a lightweight, almost entirely domestically owned currency.

Mr Obuchi's response is to appeal to European leaders for greater use of the yen internationally. He spelt out his vision of three great currencies in the world: the dollar, the euro and, of course, the yen.

His motives are more down to earth. Extra demand for Japanese assets, particularly bonds, would reduce the government's cost of capital at a time when the budget deficit is ballooning.

But Mr Obuchi's concerns are less about economics and more about politics, in particular a growing worry about his country's increasingly uncertain status in the global order.

Japan appears to be suffering from a crisis of confidence, unsure of its place in the world. In the late 1980s, during the cold war, the country was certain of its role as an economic powerhouse, confident of its strong ties with the west and the US in particular.

Although Japan was unable to project itself militarily, because of its post-war pacifist constitution, its rapidly expanding economy and industrial might allowed it to exert influence in other ways, such as foreign aid and investment.

But the certainties underpinning Japanese foreign policy have given way. The break-up of the Soviet Union raised uncomfortable questions about the need for US bases in Japan, forcing the country to grapple with its role in the shifting and uncertain balance of power in east Asia.

The economy, once famously predicted to overtake that of the US by 2000, is stuck in recession, performing so badly that the Japanese economic model appears discredited. No longer do its banks and corporations seem set to eclipse western counterparts.

Japanese companies, which a decade ago triumphantly bought trophy assets such as the Rockefeller Center and Hollywood studios, are sellers today. Last week, Mitsukoshi, the troubled Tokyo department store, announced it was disposing of its 12 per cent stake in Tiffany, the high-class US jeweller.

There is a sense in Japan that it is in danger of being eclipsed by the rising power of China – a fear heightened last year when Bill Clinton, the US president, visited China for a week and did not stop off in Japan.

Some interpreted the unintended snub as a shift in US priorities in Asia. "There were real anxieties after Clinton's China visit," admits Sadaaki Numata, the chief spokesman of the Japanese foreign ministry.

Mr Obuchi's European trip – and his efforts to bolster the yen's international use – must therefore be seen in the context of Japan's need to forge a foreign policy appropriate for the new millennium.

"Without a strong currency, Japan's role in the international community will decline," insists Tomohisa Sakanaka, president of the Research Institute for Peace and Stability, a private think-tank in Tokyo.

The question is whether Mr Obuchi picked the wrong battle when he decided to push the yen's international role. For many market strategists believe the chances of the Japanese currency becoming an equal to the dollar or even the euro are remote.

Foreigners have never had compelling reasons to hold large quantities of the Japanese currency or assets. In spite of the economy's size – equivalent to about 70 per cent of Asia's gross domestic product – international investors have been consistently underweight in Japan.

Since 1990, equities have disappointed, with the Tokyo equivalent of the big board down more than 60 per cent. Meanwhile, the yield on government bonds is just 1.67 per cent.

The returns on bonds are so miserly by international standards that foreign ownership of the market is well under 10 per cent, according to Cameron Umetsu, senior foreign exchange analyst at UBS.

Worse, the Japanese government's efforts to prop up the markets have provided powerful disincentives for international investors to own the yen and yen-based assets.

"The government may have introduced some reforms that should add liquidity to the market, making ownership of Japanese bonds marginally more attractive," explains Ken Landon, currency analyst at Deutsche Securities.

But not much will change until the authorities open up the financial markets and stop intervening in the currency, bond and equity markets. "The authorities simply will not let the market fall to a level that makes shares attractive," says Mr Landon.

Worse, Tokyo's topsy-turvy policies make the yen one of the most volatile of the big currencies, adding to the risk of holding it.

Hopes that the yen could become Asia's dominant currency are hindered by the fact that only a tiny proportion of international trade is yen-denominated – by comparison nearly four-fifths involves the US currency. Even trade between the Asian and European subsidiaries of Japanese companies is mainly denominated in dollars.

Moreover, Japan's record as an imperial power means that few, if any, other Asian leaders would even consider encouraging the creation of a regional yen bloc.

The sickly state of the economy, the absence of deregulated markets, the low level of yen-denominated international trade, and the suspicion of Japan's Asian neighbours, mean that Mr Obuchi's vision of an internationalised yen borders on fantasy. Even Japanese officials admit: "We may have begun too late. Now there are two-and-a-half major currencies, not three."

Mr Obuchi's ambitions for the yen may simply be wrong-headed. With the economy in recession and exports actually falling in November – the last month for which there are data – a strong yen will hinder rather than help any recovery.

"The Japanese are mixing cause and effect," warns Mr Landon. "A powerful economy creates a strong currency. But a strong currency does not create a strong economy. The Japanese have got it back to front."

Japan does not need a strong currency to confirm its place in the world, rather it needs an appropriate foreign policy – one that will probably involve assuming more responsibilities in Asia, including security matters.

Some analysts believe an appropriate ambition for Mr Obuchi would be to forge a role that involved Japan providing some form of leadership for the region's democracies. That could be an important force for regional stability.

However, for Japan to adopt such a policy would require the prime minister to demonstrate hitherto hidden skills. So far, the Japanese political system seems incapable of producing a figure who can balance assertiveness with an ability to calm concerns in the neighbourhood about a more influential Japan.

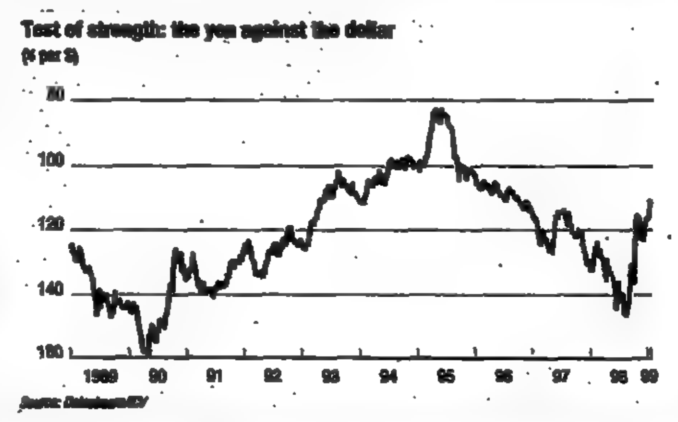
Mr Obuchi appears incapable of taking a strong foreign policy stance partly because his powers as prime minister are so limited. He is also hamstrung by internal splits in the ruling Liberal Democratic party and main opposition parties over the issue of Japan's external policy.

As usual, the biggest headache remains the deployment of troops overseas, even in conjunction with the US. "Japan is a handicapped nation. It has abdicated the option of military participation in international affairs," says Mr Sakanaka.

Japan's concerns over its place in the world are overstated. Japan still matters. Though depressed, its economy remains the world's second largest; the country serves as headquarters for some of the world's biggest companies; it is a global leader in electronics and precision engineering; and it is still an important ally of the US – Mr Clinton and Mr Obuchi are scheduled to meet this spring in the US, their third rendezvous in 12 months.

The challenge is to forge a foreign policy more in tune with Japan's economic weight. Promoting the yen in Europe may not provide the answer. But Mr Obuchi's whistle-stop tour is the first step on a long quest.

'A powerful economy creates a strong currency. But a strong currency does not create a strong economy. The Japanese have got it back to front'



OBSERVER

New Sonia-bashing season

Indian politics are always turbulent, but once again they seem to be heading for troubled waters. When Sonia Gandhi, the Italian-born widow of former Indian prime minister Rajiv Gandhi, entered the campaign fray last year on behalf of the Congress party, rivals sniffed that Indians would never accept a foreign-born leader.

Yet as she campaigned on behalf of Congress – always stressing that she had not the slightest intention of becoming prime minister – the Hindu nationalist Bharatiya Janata Party refrained from placing too much emphasis on the novice politician's foreign roots.

That could all be changing. With a Congress party resurgence under way following victories in three key state assembly elections, the BJP and its allies aren't likely to show anything like the same measured restraint in future. Many political insiders believe the recent spate of attacks on Christians in Gujarat was a warm-up to open season on Sonia Gandhi, who is a Catholic.

Hindu groups have so far justified the attacks on Christians claiming that missionaries are forcibly converting tribals, or using material incentives to lure Hindus to the church. Now leaders of the Vishwa Hindu Parishad, or World Hindu Council, are stepping up the vitriol, claiming that forcible conversions of Hindus to Christianity have increased since Gandhi took over as head of the Congress party. Will that name ever fail to arouse passions?

Cracking up

On a brighter note, Bombay was splitting its sides with laughter yesterday. Thousands turned out to celebrate World Laughter Day and shout "I am the happiest person in this world". Organisers now want a laughing competition in the Olympics and there are plans to get India's huge workforce to start every day with 20 minutes of deep breathing and laughter – but without any need for jokes. It seems it's the antidote for stress-related disorders such as high blood pressure and heart disease. Might not have the desired effect on the boss if there's too much of it in worktime.

Chewing on it

Remember Woofie, the infamous Aberdeen collie whose life was spared after Brigitte Bardot and the combined might of the influential British tabloid newspapers fought a campaign to save him from the Big Sleep after attacking a postman?

The magazine of CWU, the postal workers' union, points out that while the dog may be off death row, the postman he targeted is still off work suffering from stress – most of it caused by the verbal abuse and threatening phone calls that followed his well-publicised run in with Woofie's sharp end. The posties have in any case been muttering darkly that the hound's real name was Wolfie – but that wasn't "cuddly enough" for the media. The good news is that the Post Office is still delivering to Woofie's house – "at least until the next attack".

Over the line

Come on lads, play the game! Observer hears a group of Ugandan international soccer players are being banned from turning out to play in the league – until they hand in their national kit.

It seems that 26 players have been hanging on to the uniforms and boots given to them last year. That's not all – they've still got the shinguards, travel bags and balls. So the Ugandan Football Association says they won't be licensed for the new league season, which starts later this month.

The kit was given to the players for a three-match trip to Austria last year. Now it's needed for the country's African Nations Cup qualifier against Liberia in Monrovia in under two weeks' time. The lads obviously like to keep mementos of their finest 90 minutes – and are prepared to tell officials to go whistle for them.

Arresting

The UK-based Co-operative Bank's decision to add the manufacture of leg irons to its growing list of "unethical" businesses in which it isn't prepared to invest, isn't worrying industrial group Tomkins. Smith & Wesson, the US gunmaking subsidiary that sports a handy sideline in leg irons, accounts for only 1 per cent of group sales.

The US operation does, however, sell 200,000 sets of handcuffs a year; but fewer than half of these go to law enforcement agencies. Tomkins director Anthony Spiro reckons the rest are destined for the "leisure" market in one form or another, though he declined to elaborate. Don't tell the Co-op killjoys, or they'll come over all ethical again.

Deflated

After surviving his recent, aborted, round-the-world balloon adventure unhurt, intrepid British aviator Richard Branson has come back to earth. Retiring to his private Caribbean island of Necker, the bearded wanderer decided to venture out to sea on a yacht. But the craft overturned and one of Branson's hapless fellow mariners landed on top of him. The bearded balloonist is now nursing two broken ribs.

The Financial Times

100 years ago

French Insolence

When in 1890 Great Britain recognised the Protectorate of France in Madagascar, it was agreed that the rights of British citizens on the island would be unaffected. But France has undoubtedly ignored the condition agreed in 1890. When a hostile expedition was sent from the Republic to Madagascar a few years ago, the British Government satisfied themselves that nothing more than enforcement of the Protectorate was in view. Annexation has, of course, followed; and not only that, tariff changes have been introduced with the obvious intention of fostering French commerce by crushing English trade.

50 years ago

Alarm in China

Shanghai, Jan. 10. Chinese observers doubt whether mediation by the Big Powers is possible if Generalissimo Chiang Kai Shek remains in power. Reports persist that the General is preparing to leave Peking, despite official denials. The confusing political outlook is impressing markets to such an extent that the black dollar has gained 100 per cent during the past 48 hours.

FINANCIAL TIMES

MONDAY JANUARY 11 1999

THE LEX COLUMN

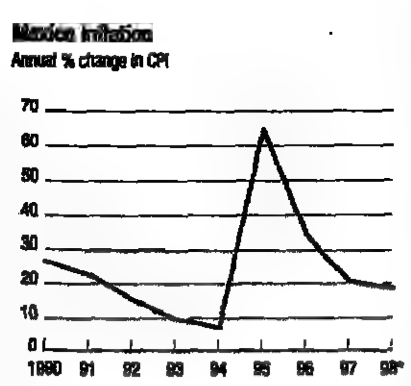
Deutschland doldrums

Some recovery that was. December's unexpectedly sharp increase in German unemployment to 10.8 per cent was an unpleasant reminder of how shallow growth in the euro-zone's largest economy will be this year. Indeed, Germany, which accounts for 36 per cent of euro-zone Gross Domestic Product, is likely to be the area's economic laggard in 1999. Market GDP forecasts are now down to around 1.5 per cent, at least a half-point below the euro-zone average. And with the likes of UK building materials firm RMC busy laying off German workers, things could get worse fast. Under the pressure of euro price transparency and tougher competition for capital, the need for micro reforms to Germany's labour market will only increase.

For investors, maintaining a cautious stance towards German equities seems advisable, even though the Dax has shown more restraint than other Continental bourses in retracing its steps towards last year's highs. The scope for further earnings disappointments is considerable.

Still, the interest rate outlook should be some support. Given depressed inflation levels, not just in Germany where prices may rise by little more than 0.5 per cent in 1999, but in the euro-zone as a whole, the European Central Bank still has scope for looser monetary policy in the months ahead. Given the unhappy outlook for Oskar Lafontaine's "alliance for jobs", the ECB will surely feel political pressure to exploit its margin for monetary manoeuvre.

Mexico



Telephone callers put on hold at Mexico's central bank are treated to Billy Joel's "Honesty is such a lonely word". Credibility would be more apt. One year after Guillermo Ortiz became governor of Banco de México, inflation has returned to haunt the country and his credibility is on the line. Mexico's consumer price index last year rose 18.6 per cent, dwarfing the minuscule rates of Latin America's other big economies. It also far overshot the bank's 12 per cent target and few believe in this year's 13 per cent goal.

There were plenty of excuses in 1998: the oil price shock, global financial turmoil and El Niño-related droughts and flooding. But the mandate of the central bank is to fight inflation, even during tough times. To do so, it desperately needs to strengthen co-ordination with fiscal policymakers. Last year's interest rate increases were blunted by rampant increases in public sector prices. President Ernesto Zedillo's failure to wean Mexico's tax system off vulnerable oil revenues has led to, of all things, fuel price increases to plug holes in the budget.

Most importantly, Mr Ortiz – who once harboured presidential ambitions as a member of the ruling Institutional Revolutionary Party (PRI) – must now assert the theoretical autonomy of the central bank in practice. His job is to fight inflation, even if tighter monetary policy hurts growth and the PRI's chances in presidential elections next year.

Euribor vs euro-Libor

London's detractors should not get too excited about news of the initial success of Euribor, the Brussels-inspired benchmark for the money markets, over the City's competing euro-Libor benchmark. Although great prestige is attached to the fact that London gives its name to benchmark money market rates for lending in the dollar and other leading currencies, euro-Libor's success – or failure – has little obvious bearing on the City's viability as a financial centre.

In fact, there are early signs that London could have already increased its dominant share of trading in Europe's money markets since the launch of the euro last week. After all, the daily quotes used to compile the Euribor rate are mostly provided by European banks based in London. There is no sign they are planning to up stakes and shift their money market and derivatives operations to Frankfurt or Paris.

The outlook for the London International Financial Futures and Options Exchange – the first to trumpet Euribor's popularity last week when it said it would launch contracts based on the new benchmark – hinges on the smooth introduction of its new electronic trading system later this year. By launching euro-denominated contracts based on Libor as well as Euribor, Liffe has sensibly hedged its bets (as befits a derivatives exchange). Liffe still faces an uphill task in winning back supremacy from Eurex, its Frankfurt-based rival. But having already embraced Euribor, Liffe has neutralised any threat from that quarter.

Oracle

While rivals such as SAP and Baan stumble, Oracle's shares keep testing new highs. All three offer corporate software that automates and stitches together back-office functions, known as enterprise resource planning.

Oracle will not escape one concern, which contributed to SAP's recent drop, namely that companies will divert their IT resources to dealing with Millennium bugs. This could depress growth in licence revenue to 20 per cent or less – much lower than recent years.

Oracle, though, is taking the next step in corporate software development: the leap out of back- into front-office software to improve a company's marketing and sales operations. It is also experimenting with selling its enterprise software applications over the internet. This grab-bag of new products may not be elegant. But they could be among the first, which is a threat to the likes of SAP. Meanwhile, Oracle's core database business is claiming a first with a version for internet computing.

Still, the near doubling of the shares since the autumn understates the risks. Microsoft looms large, as it muscles into the database market. Oracle must not lose sight of the danger as it seeks to stretch its business across new markets.

Currency exchange charges in euro-zone under attack

By Peter Wise in Lisbon and our Brussels staff

The European Commission is to examine bank charges in the euro-zone because it fears excessive commissions for conversions between Europe's former currencies could undermine public confidence in the euro.

Anecdotal evidence suggested that charges for converting notes and travellers' cheques in the 11 legacy currencies – which will be replaced by euros in 2002 – were "frighteningly high" in some countries, a senior Commission official said.

Exchange rates for the 11 currencies were fixed permanently against the euro on December 31, eliminating exchange-rate risk among the euro-zone currencies. But banks in some countries were still charging "totally preposterous" commissions of as much as 4 per cent for conversions between the 11 currencies, the official said.

"It is legitimate to assume that the removal of exchange rate fluctuations and risk between the euro currencies should bring down the cost of converting them," he said.

"It is a very serious matter that could undermine public confidence in the euro if banks are simply making up for what they lose on the spread between buy and sell rates by increasing their commission."

Although currency fluctuations have been eliminated, banks still have to cover staff, training, storage, security and other costs involved in converting euro currencies. However, because these costs have not been changed by the advent of the euro, Commission officials say there is no argument for higher commissions.

European Union regulations prohibit banks from making conversion charges for payments made into euro-zone bank accounts in euros or any of the 11 national currencies. They also recommend that similar outgoing payments be free of charge.

But the question of charges for the exchange of national currency notes and travellers' cheques in the euro-zone is a grey area not covered by regulation.

"There was an unspoken rule that these conversions should be cost neutral," said the official.

According to Commission officials, the banking associations of Italy and Germany have recommended that banks charge maximum commissions of 3 and 4 per cent respectively for conversions between the 11 currencies.

But in Portugal the central bank has drawn up a protocol, signed by all commercial banks, limiting the charge for converting other euro currencies into escudos to 0.5 per cent. "The aim of the agreement is to ensure that the public benefits from the savings resulting from the single currency," a Bank of Portugal official said.

Portuguese banks are free to determine their own commissions for converting escudos into the other currencies but most have opted for 0.5 per cent. However, one bureau de change that has not signed up to the protocol was charging 1.5 per cent yesterday.

Shunning euro will harm London, Page 2

Opposition hones challenge to Bonn's dual citizenship plan

By Frederick Stüdemann in Bonn

Germany's main opposition parties will this week finalise the wording of a controversial petition protesting at government plans to offer dual citizenship to more than 7m foreigners living in the country.

Critics warn that the collection of signatures will stoke up racial tensions.

The conservative Christian Democratic Union and its Bavarian sister party, the Christian Social Union, stood firm at the weekend on their plans to mobilise opposition to Chancellor Gerhard Schröder's proposals to liberalise antiquated citizenship laws in spite of the fact that the issue has exposed splits within their own ranks.

The CDU said the collection of signatures on market squares and other public places would start at the end of this month unless Mr Schröder backed down.

The party, which under former chancellor Helmut Kohl led the government for 16 years until its defeat by Mr Schröder last October, said it did not rule out taking the issue to the constitutional court, Germany's highest legal authority.

The opposition's initiative is its first attempt to issue a significant broadside against Mr Schröder. His "red-green" coalition of Social Democrats and Greens is about to reveal details of its proposed reform of citizenship laws, which are based on blood lineage and widely viewed as exclusive. The opposition also hopes to gain votes from the issue in regional state elections in Hesse next month.

The government says that, by offering passports to foreigners who have been long-term residents in Germany or who were born in the country, social tensions will be reduced. At present most foreigners, many of whom came to Germany as *Gastarbeiter* (guest workers) to make up labour shortfalls, are not allowed to vote or hold public office. Acquiring German citizenship is a long and difficult process.

Wolfgang Schäuble, Mr Kohl's successor as CDU chairman, said at the weekend that his party was also committed to making the integration of foreign residents into society easier. But he said the best way to achieve this was to reform the 70-year-old citizenship laws and not through dual citizenship.

The CSU has been more hard-line on the issue, suggesting that dual citizenship will lead to mass immigration, higher unemployment, urban ghettos and extremist violence.

The row has also exposed rivalries within the CDU and CSU. Mr Schäuble and the CDU were wrong-footed by the more right-wing CSU which originally put forward plans for a petition.

The CSU, and in particular Edmund Stoiber, the Bavarian president and chairman-designate of the party, is seeking to grasp pole position within the opposition. Secure in its Bavarian base, where it has held a majority at state level for four decades, the CSU is more self-confident than the CDU, which is facing the prospect of redefining itself after more than 20 years of leadership by Mr Kohl.

CONTENTS


Richard Butler, head of the disarmament commission in Iraq, rejected spying allegations but future similar UN efforts look at risk. Page 6 AP

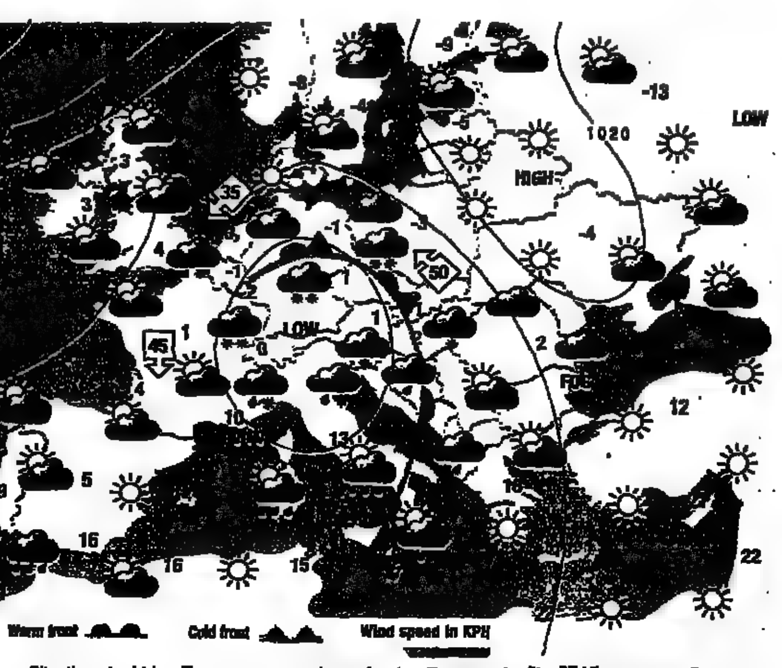
FT WEATHER GUIDE

Europe today

The Alps, eastern France and southern Germany will be very cold with snow. Northern Germany and the Low Countries should escape the worst of the snow, but there will be a very cold north-east wind. Eastern Europe will be cloudy with occasional snow flurries. Most of Scandinavia, the Baltic states and western Russia will be largely fine and settled, with severe frost. The eastern Mediterranean will be warm with sunshine, and Italy will be cool and showery. Northern and eastern Spain will be bright, and Portugal and western Spain will have heavy showers.

Five-day forecast

There will be snow and freezing rain in places, and North-west Europe will become warmer and more unsettled from Wednesday with rain spreading from the north-west. Central Europe will be cold until Thursday with snow flurries, but it will become milder on Friday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	26
Accra	Fair	31
Algiers	Fair	16
Amsterdam	Fair	0
Athens	Sun	18
Atlanta	Fair	7
B. Aires	Fair	25
B.ham	Fair	2
Bangkok	Fair	32
Barcelona	Fair	10
Beijing	Sun	-2
Belfast	Fair	3
Belgrade	Rain	4
Berlin	Snow	-1
Bermuda	Thunder	22
Bogota	Fair	19
Bombay	Sun	31
Brussels	Cloudy	-1
Budapest	Sleet	2
C.hagen	Sun	-1
Cairo	Sun	21
Caracas	Sun	29
Cardiff	Fair	4
Casablanca	Shower	14
Chicago	Fair	-8
Cologne	Snow	1
Dakar	Fair	24
Dallas	Sun	19
Delhi	Fair	18
Dubai	Fair	26
Dublin	Fair	3
Dubrovnik	Rain	13
Edinburgh	Fair	3
Faro	Rain	13
Frankfurt	Snow	2
Geneva	Snow	8
Gibraltar	Rain	13
Glasgow	fog	3
Hamburg	Cloudy	-1
Helsinki	Fair	-9
Hong Kong	Rain	17
Honolulu	Fair	27
Istanbul	Shower	11
Jakarta	Thunder	29
Jersey	Cloudy	6
Jo'burg	Thunder	23
Karachi	Sun	27
Kuwait	Sun	22
L. Angeles	Fair	25
Las Palmas	Shower	20
Lima	Fair	25
Lisbon	Shower	9
London	Cloudy	4
Luxbourg	Snow	-2
Lyon	Snow	0
Madeira	Shower	15
Madrid	Fair	5
Majorca	Fair	12
Malta	Fair	17
Manchester	Fair	3
Manila	Shower	30
Melbourne	Shower	30
Mexico City	Sun	23
Miami	Rain	21
Milan	Rain	5
Montreal	Snow	-16
Moscow	Fair	-13
Munich	Cloudy	3
Nairobi	Thunder	27
Naples	Shower	13
Nassau	Thunder	23
New York	Snow	-4
Nice	Shower	10
Nicosia	Sun	21
Oslo	Sun	[illegible]
Paris	Snow	1
Perth	Sun	30
Prague	Snow	1
Rangoon	Fair	31
Reykjavik	Sleet	3
Rio	Fair	29
Rome	Rain	13
S. Frsco	Fair	16
Seoul	Sun	-1
Singapore	Shower	30
Stockholm	Fair	-4
Strasbourg	Snow	1
Sydney	Sun	29
Tangier	Shower	12
Tel Aviv	Fair	22
Tokyo	Sun	7
Toronto	Fair	-13
Vancouver	Rain	9
Venice	Rain	7
Vienna	Snow	1
Warsaw	Snow	-3
Washington	Fair	-2
Wellington	Fair	21
Winnipeg	Snow	-21
Zurich	Snow	1

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FINANCIAL TIMES
COMPANIES & MARKETS
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MONDAY JANUARY 11 1999
Week 2

INSIDE

Czech state to draw up CSOB list

The Czech government is to draw up a shortlist by the end of this month of bidders for the sale of Ceskoslovenska Obchodni Banka, the country's fourth-biggest bank, in which the Czech state is offering at least a 51 per cent stake from its 66 per cent shareholding. **Page 20**

Sumitomo may sell Gottardo stake

Sumitomo Bank, Japan's second-biggest bank, is considering selling its controlling stake in Banca del Gottardo, one of Switzerland's largest private banks. Sumitomo's 53 per cent stake is now worth about $900m. **Page 19**

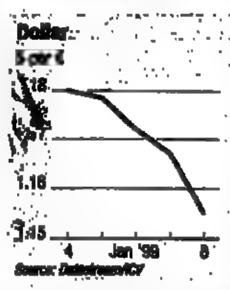
Potash moves for Israel Chemicals

Potash Corporation of Saskatchewan, the world's biggest potash producer, has moved to secure control of Israel Chemicals, the export-driven chemicals group, by acquiring a 53 per cent stake in Israel Corporation, one of Israel's biggest holding companies. **Page 21**

Aegon sceptical of euro-zone market

Aegon, the international life assurance and pensions group, is enthusiastic about the launch of the euro. However, it remains sceptical over how much scope there will be in the euro-zone for a consolidated European market in insurance and pension products. **Page 19**

Jittery euro remains focus for trade



After a jittery first week of trading, the euro should continue to be the focus of global trading this week, although there will be few euro-zone data from which the markets will be able to build positions. Problems with the clearing system last week meant liquidity was slow to build in the markets and few participants with bullish views on the euro have followed their own advice. **Currencies, Page 24**

Euro bond market rivals the US

The birth of the euro has created a government bond market to rival the US. The euro bond market is $4.4bn; the US Treasury market is roughly $3.7bn. The shift by investors from US Treasuries to euro bonds will add to pressures that could drag down the dollar. **Page 20**

Strong employment fuels Wall Street

The frantic start of 1999 looks set to continue in New York with the release of important economic data. The employment report for December showed greater strength than expected, and should increase the focus on the release of consumer prices and retail sales figures for December. **Market Week Page 22**

Indonesian rebound not sustainable

Last week, the Jakarta Stock Exchange composite index turned in a net gain over the five days of 10.3 per cent. But analysts said shares had risen faster than elsewhere because of the disproportionately heavy impact of renewed foreign buying across Asia on Jakarta's low trading volume. **Emerging Market Focus, Page 21**

FT GUIDE TO THE WEEK

– full listings Page 34

GERMAN CABINET MEETS COMMISSION
A joint meeting of the European Commission and Germany's cabinet in Bonn today will discuss the country's main goals of its six-month presidency – reforms to EU finances and measures on job creation.

WTO BANANA CONFERENCE
The World Trade Organisation meets in Geneva on Tuesday to look into the European Union's banana import regime, which, the US claims, discriminates against Latin American bananas and US distributors.

OBUCHI TO RESHUFFLE CABINET
Keizo Obuchi, Japanese prime minister, is expected to reshuffle his cabinet on Thursday to form a coalition government with the Liberal Democratic party and the Liberal party.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

BRITISH AND FRENCH ARMOURED VEHICLE MAKERS DISCUSS POSSIBLE STRATEGIC PARTNERSHIP

Vickers and Giat in talks on alliance

By Alexander Nicoll, Defence Correspondent

Vickers and Giat, respectively Britain's and France's only manufacturers of main battle tanks, are discussing a strategic partnership that would be an important step towards rationalising Europe's overcrowded armoured vehicle industry.

The British engineering group yesterday declined to confirm or deny a newspaper report that it planned to join forces with Giat, the French state-owned armaments concern that has been making heavy losses.

However, it is understood that talks on a joint venture in specialised equipment, such as military bridges, have expanded to encompass a possible broader alliance. An announcement could be made soon, but it is likely to signal an intention to co-operate rather than being a specific agreement.

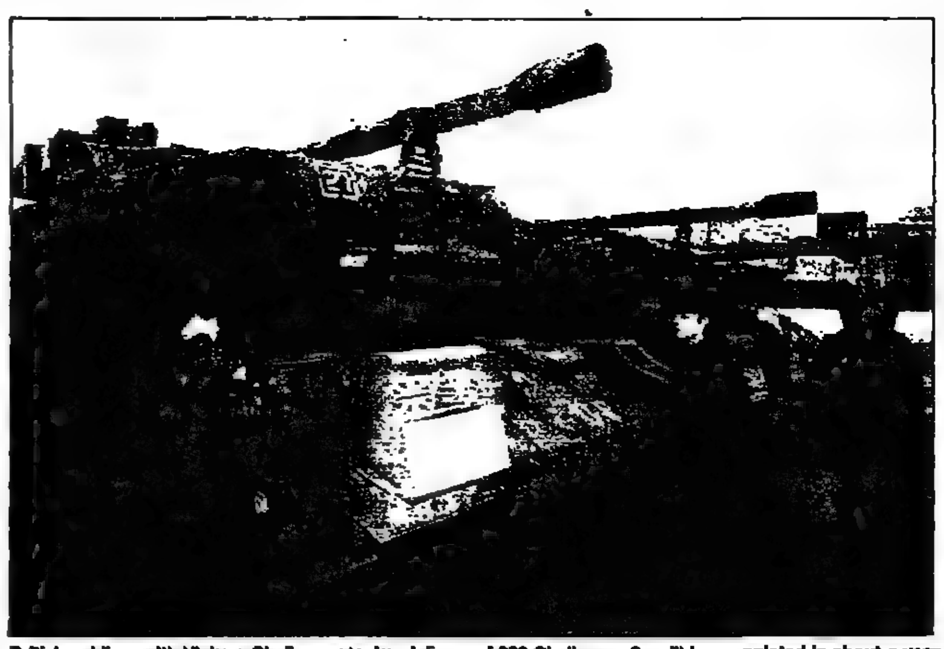
German companies such as Krauss-Maffei and Rheinmetall are emerging as leaders of a slimmed-down European armoured vehicle sector, though a new British force has been created by the absorption of GKN's interests into Alvis, which also purchased Hagglunds of Sweden.

Vickers Defence Systems is closing its Leeds plant because of a dearth of orders, leaving only its Newcastle factory and a small plant in Wolverhampton. Delivery of 386 Challenger 2 main battle tanks to the British Army will be completed in about a year. Only one export order, for Oman, has been won, though the company has hopes in Greece and South Africa.

After being on the losing side in a competition with German and French companies for the next generation of armoured personnel carriers, the "battlefield taxi", Vickers urgently needs to strike an alliance if it is to stay in the defence business. The group, having sold Rolls-Royce Motor Cars, the Cosworth specialist engine business and its medical equipment interests, is focusing increasingly on marine engineering.

Giat has also been looking for cross-border alliances to help it remain a viable business. A thorough revamp, under the chairmanship of Jacques Loppion, will lead to the loss of 17,000 jobs. It will still have 10,000 employees across a range of vehicle and munitions businesses, compared with 1,600 for the more specialised Vickers.

Though the French government has shown itself willing to privatise defence companies to facilitate cross-border mergers, the view in Paris is that Giat should not be sold until it is restored to profitability. However, transactions involving parts of the group are possible.



British soldiers with Vickers Challenger tanks: delivery of 382 Challenger 2s will be completed in about a year

Vodafone's chances of successful AirTouch bid boosted

By Alan Cane in London

Vodafone's chances of succeeding in its $55bn offer for AirTouch increased significantly over the weekend as two potential rivals to acquire the US-based cellular phone operator were ruled out of the bidding.

If Vodafone's bid is successful, the combined company would be the world's biggest mobile phone operator and the first large enough to compete with fixed-wire operators on equal terms.

On Friday, MCI WorldCom, the aggressively acquisitive US fixed-line operator, said that, following an informal approach to AirTouch, it had decided against making a bid "at this time".

British Telecommunications refused to comment on newspaper reports that it was seeking a US partner to make a joint bid.

People familiar with the situation, however, say BT has no interest in acquiring AirTouch. It is already fully occupied working through the consequences of its partnership, announced last year, with AT&T, the largest US long distance operator.

The partnership, which plans to build a global high-capacity data network to secure the lion's share of the world's international business traffic, has yet to achieve regulatory approval.

Meanwhile, Vodafone, the UK's largest mobile phone operator, is still awaiting a response to its bid either from AirTouch or from Bell Atlantic, the US regional phone group, whose $45bn bid for AirTouch two weeks ago signalled the start of the bidding battle.

Kenneth Hydon, Vodafone finance director, opened direct discussions with AirTouch in New York last week but has returned to the UK.

Chris Gent, Vodafone chief executive, is also back at Vodafone's Berkshire headquarters after returning from holiday.

The withdrawal of MCI WorldCom and the apparent lack of interest shown by BT suggests that Vodafone's strategy of attempting to deliver a knockout blow to potential rivals through a bid valuing AirTouch at a 50 per cent premium to its price a month ago could carry the day.

Showdown expected in UniCredito dispute

By Paul Betts in Milan

A power struggle over the management control and international alliances of UniCredito Italiano, Italy's largest bank in terms of stock market capitalisation, is expected to come to a head today at a shareholders' meeting to elect a new board.

The battle is pitting the charitable foundations that agreed last year to merge their regional banks with the Milan-based Credito Italiano – to form UniCredito – against the management of Credito Italiano and its traditional core shareholders.

The agreement between the foundations controlling the Cassa di Risparmio di Verona, the Cassamarca and the Cassa di Risparmio di Torino – three rich north Italian regional banks – with Credito Italiano created one of Italy's largest new banking concentrations at a time of rapid consolidation in the sector.

However, the Verona and Cassamarca foundations have sought to assert their influence in UniCredito, which they have felt was coming too strongly under the grip of Alessandro Profumo, Credito Italiano's highly respected chief executive, and Lucio Rondelli, Credito Italiano's veteran chairman.

The Cassa di Risparmio di Torino foundation has so far unsuccessfully sought to mediate the dispute that last night appeared to be heading for a clash at today's meeting.

Up to a week ago the meeting in Genoa was widely seen as a formality, with the foundations and Credito Italiano approving a new board and the current management of the enlarged bank, led by Mr Profumo.

But the Cassa di Risparmio di Verona and Cassamarca sold 0.75 per cent of their stake in UniCredito to Deutsche Bank without informing the UniCredito management. Deutsche Bank, which has long sought to expand in the Italian banking sector, is now believed to own about 2 per cent of UniCredito. The move took UniCredito's management by surprise and was seen as an effort by the foundations to strengthen their influence in the banking group, whose other international shareholders include Allianz, the German insurer and a Deutsche Bank rival in Italy, and Société Générale of France.

The three foundations hold a combined 38 per cent stake in UniCredito but under the merger agreement can only exercise the votes on 12 per cent of their shares. They have also agreed to shed half their stakes by the end of next year.

French clearer to challenge London's bond trading

By Edward Luce, Capital Markets Editor

Clearnet, the clearing house owned by the French stock exchange, is to compete head on with the London Clearing House for supremacy in Europe's government bond markets.

The French clearer, a subsidiary of the Société des Bourses Françaises, is to extend its Paris-based operations to the German government bond and repurchase (repo) market at the end of this month.

This would make Clearnet the first clearing house to provide such services for Europe's government bond and repo markets. The LCH, which clears trades on London's derivatives, metals and petroleum exchanges and is Europe's largest clearing house, hopes to launch a clearing service for Europe's fledgling repo market in the second half of 1999.

Others including, GSCC, the US house that clears repo trading in US Treasury bonds, are thought to be looking at the European repo market. An official at a US investment bank in London said: "This is shaping up to be the battle of the clearers. Whichever prevails will have rich pickings."

The move brings the esoteric world of clearing into the broader battle between London, Paris and Frankfurt for a dominant share of business in the European single currency. Clearing houses act as "central counterparties" for banks and market users trading in derivatives, repos and other leading financial instruments.

By using a central counterparty that clears a number of diverse markets, banks can reduce the capital they need to set aside against the risk of default. It is considered a vital growth sector when banks are aggressively seeking to improve return on capital and reduce costs.

By extending such services to the European repo market for the first time, LCH and Clearnet hope to steal a march on competitors such as the Deutsche clearing house, which clears trades on the Frankfurt stock and derivatives exchanges.

RICHARD WATERS
GLOBAL INVESTOR

American dream

The stock market's roaring start to the year drowned out what was happening elsewhere in the US financial markets last week. While the Dow Jones Industrial Average rose 5 per cent, Treasury bonds were wilting and the slumping dollar rubbed against 110 yen. If this is to be another year of discordance and discontinuity, the warning signs are already flashing in the currency market.

The stock market's latest wave of euphoria is different from the mood that reigned during last autumn's relief rally. There hasn't been anything like this since before the Russian debt default last August. A rise confined to a narrow group of technology companies and blue chips has broadened out to take in the most unfashionable of cyclical stocks, from steel companies to motors.

But a 20 basis point back-up in long-term bond yields since the start of the year, along with a further stumble in the value of the dollar, do not fit with the mood. Dollar assets are not as much in demand around the world as they were and that cannot be good for the health of the bull market.

These discordant notes point to a jarring difference of opinion between US and foreign investors. For Americans, the worst of the international economic and financial crisis is over. The US economic expansion is, officially, the longest since the last world war and growth forecasts are back to pre-Russian default levels. With consumers in bullish mood, why shouldn't the economy – and the stock market – blow through the cautious predictions of the Wall Street experts?

For foreign investors, on the other hand, the US is no longer an island of growth and stability in a troubled world. The trajectory of the dollar since last summer suggests that the rest of the planet is no longer falling over itself to buy US assets. Foreigners were important marginal buyers of US stocks last year: they suspended their disbelief about valuation levels and returned in force after missing much of the 1990s bull market.

There are three concerns weighing on the dollar.

First, foreign capital is no longer flowing in just one direction. Japanese investment has turned pale. Even though logic might suggest that a rising yen and higher bond yields are the last thing that country's ailing economy needs, Japan's predicament is dire enough to turn capital market logic on its head. If printing yen by the truck-load turns things around, the markets seem prepared to believe this will eventually revive the international appetite for yen assets.

The arrival of the euro has also weakened the magnetic pull of the dollar. It may be difficult to predict when, or to what extent, the world's foreign exchange reserves will be switched into the new European currency. But the fact that nearly 60 per cent of those reserves are in the US currency leaves a large axe hanging over the dollar's head.

Second, the supply of dollars seems finally to have caught up with demand. The US boom has been bought at the cost of a soaring current account deficit and foreigners seem to be getting wary of financing these spendthrift ways. Eventually, the burgeoning imbalance created by the deficit will have to be corrected, with unpredictable but highly volatile implications for the dollar.

Third, the rest of the world seems simply to believe less in the continued growth of the US economy – and of US corporate profits – than do Americans. This has been a familiar feature of the 1990s bull market. So far, the doubters have been proved wrong. But with the continued rise of the stock market now playing such an important part in generating the wealth that is needed to maintain the consumer and corporate spending boom, the foundations of the economic expansion look far from robust.

If US assets are less in demand around the world, the stock market will eventually feel the effects. Higher bond yields would eventually undermine the valuation that Wall Street has used to justify such optimistic valuations for shares.

Foreign buyers of US stocks would turn into sellers. But, given the powerful new euphoria evident last week, it might take some time for that to sink in.

Manager hails fund without frontiers

By Jean Eaglesham

A UK-based investment fund has, for the first time, been sold in large volumes to investors in continental Europe.

The success of the fund, which has raised €146m (£103m) on the Continent in eight months, marks the start of a trend that will "change the nature" of the European fund management industry, Threadneedle Investments, the manager, will claim today.

The launch, the most successful to date in Germany by a UK or US manager, will be seen as a vindication of the previous Conservative government's decision to create open-ended investment companies (Oeics). Threadneedle "wouldn't have stood a prayer of doing what we've done" if it had tried to sell a unit trust, rather than an Oeic, said Richard Eats, director.

Oeics – a cross between a unit and investment trust – were introduced in spring 1997 to help UK managers to compete in Europe. Unlike the unit trust's system of quoting buying and selling prices per unit, a system unknown on the continent, Oeics have a single price. The Oeic structure also allows different currencies and prices to be applied to the same fund.

A number of UK managers have converted their unit trust range to Oeics. But Threadneedle, the fund management arm of BAT Industries, last May became the first to use the new vehicle for a high profile sales campaign on the continent. "Many in the UK told us that the Oeic would not sell in Europe. Our ground-breaking strategy has proved this national myopia wrong," said Alan Ainsworth, managing director for Europe.

Some other big fund management groups are planning to adopt a similar approach to Threadneedle.

However groups such as Fidelity, Flemings and Templeton, which have already built up a significant presence in continental Europe from an offshore base, are unlikely to rely entirely on a UK-based fund.

"We're not using an Oeic. We already have a Luxembourg-based fund selling into Germany," said Dougie Adams, business planning director at Templeton. "We are moving into a world where the domicile of a fund is becoming less and less important. It's a bit like the car market [where factories are often not based in the buyer's home country]. We are not there yet [but] monetary union will accelerate that process."

Threadneedle said the success of its fund marked an important step towards creating this type of single market for retail funds. "The ability to sell this kind of domestic product cross-border is going to change the nature of the industry," said Mr Ainsworth.

PHARMACEUTICALS UK GROUP NARROWS LIST OF SUITORS FOR ITS SPECIALITY CHEMICALS DIVISION

Three buyers vie for Zeneca unit

By Virginia Marsh

Zeneca, the UK pharmaceuticals group that is merging with Astra of Sweden, has narrowed the list of potential buyers for its speciality chemicals division to BASF and Bayer, both of Germany, and Rohm & Haas of the US.

The business, which was put up for sale in November ahead of the Astra merger announcement, is expected to fetch up to £1.5bn ($2.5bn). Zeneca aims to secure a deal in the next two months.

It is understood that six or seven groups initially expressed an interest in the business – whose 1998 sales are estimated at £700m. Clariant of Switzerland, and DuPont and Dow Chemical both of the US, were among those that analysts had seen as potential bidders.

Imperial Chemical Industries – from which Zeneca was demerged in 1993 – said it had pre-emption rights over a small part of the business but Zeneca aims to sell the division as a single unit. It is also unclear whether ICI's rights would be triggered by the sale.

Zeneca's speciality chemicals business – with 35 sites worldwide and 5,500 employees – includes biocides, industrial colours, life-science molecules, performance and intermediate chemicals, resins and leather dyes.

Zeneca, which is being advised by JP Morgan, plans to retain the division's Marlow foods business that makes Quorn, the meat substitute.

The planned sale comes at a time of consolidation in the chemicals industry, although one of the largest deals announced last year, the merger between Clariant and Ciba, subsequently collapsed. BASF is thought to have amassed a £10bn war chest while Rohm & Haas, the Philadelphia-based chemicals and plastics groups, was seen as a potential bidder for Allied Colloids.

Ciba acquired Allied for nearly three times sales early last year but valuations have since fallen significantly in the wake of Asian economic problems and a manufacturing slowdown in several of the world's largest economies.

Observers believe Zeneca may also eventually sell its agrichemicals business but the UK group said it aimed to retain the division, which accounts for about half of its annual sales of about £5bn.

FT may set up German language business title

By John Gapper, Media Editor

The Financial Times Group is considering establishing a German language business newspaper in an effort to consolidate its place as a leading European financial publisher.

The FT, which is owned by the UK media group Pearson, is setting up a German publishing company to develop the initiative.

It is considering alternatives from a German language edition of the FT, to supplements in existing German newspapers, newsletters to a separate daily paper.

Andrew Gowers, deputy editor of the FT, who has moved to Germany to become editorial director of the company, said it was "actively considering" entering a joint venture with a local publishing group.

The initiative to expand in Germany, which accounts for more than 20,000 of the FT's daily sale in continental Europe of about 110,000, follows a push to raise circulation in the US launched last year.

The FT's circulation has been growing strongly, boosted by overseas sales growth. International sales account for more than half of its daily sales of about 384,000 copies.

The FT Group also includes Les Echos, the French financial daily, and Recoletos, the Spanish financial newspaper. But the group has no German language paper and has been examining how it could reinforce its position there.

Mr Gowers said the FT was likely to start recruiting for the venture shortly. It had become clear that the FT group needed to expand its operations into the German language.

The only dedicated daily business newspaper in Germany is Handelsblatt, which sells about 160,000 copies a day. There is also competition from the financial sections of papers such as Frankfurter Allgemeine Zeitung. The Financial Times has printed in Frankfurt since 1979.

Tomkins to take charge for mills

By Maggie Urry

Tomkins, the conglomerate, will have to announce a substantial provision against its Spillers flour mills when it reports interim results today.

The provision, likely to be about £40m ($67m), anticipates the loss Tomkins is expected to take when it sells four of six flour mills it acquired last March for £92m plus costs. Although relatively small in the context of the group, the loss will be an embarrassment for it.

Tomkins is expected to report interim pre-tax profits of about £220m, against £215m last time.

The company was given until late March this year to sell the four mills, after a Monopolies and Mergers Commission report concluded that Tomkins ownership of both the Spillers mills and its existing Rank Hovis mills could operate against the public interest.

Tomkins acquired the mills from Kerry Group, the Irish food company, which bought them as part of its purchase of Dalgety Food Ingredients. Its plan was to put the Spillers mills with its 11 Rank Hovis mills.

Although there are potential buyers for the mills, Tomkins is in a weak selling position. The size of the provision will indicate to buyers the minimum Tomkins is hoping to raise from the sale.

Trinity withdraws from Mirror talks

By Christopher Price

Mirror Group was yesterday at the centre of fresh speculation about its future when Trinity International announced it was pulling out of merger talks that would have created Britain's biggest newspaper group.

Both companies stressed, however, that they remained interested in concluding a deal. The discussions had been continuing, intermittently, for almost a year.

Trinity withdrew after details of negotiations with the Mirror appeared in the weekend press.

It is understood that the Liverpool-based group was concerned about suggestions that the Mirror board was split over the proposed merger, as well as by recent reports that Mirror directors were considering a management buy-out of the group.

Under the merger being negotiated, Sir Victor Blank, Mirror chairman, would have become chairman of the enlarged group, with Philip Graf taking the chief executive's post – the role he fulfils at Trinity.

David Montgomery, Mirror chief executive, would also have been offered a place on the board in a role involving the integration of the group, as well as an editorial role on Mirror's national titles, The Mirror, Sunday Mirror and Sunday People.

The price put on Mirror shares was believed to be about 155p a share, 7p below the level of Friday's close.

This would have valued the company at £700m ($1.18bn), with Trinity capitalised at £598m on Friday's close.

Mirror shareholders would hold 55 per cent of the enlarged group and Trinity 45 per cent.

Mr Montgomery said yesterday: "We are still keen to do a deal with Trinity that benefits Mirror shareholders."

Advisers to the Mirror suggested that price was a sticking point in the negotiations, with the Mirror board holding out for a deal at a premium to the share price.

Trinity is also said to be keen to conclude a deal, but is anxious for the Mirror board to clarify its position with regard to the proposed deal and any other negotiations with venture capitalists.

Power struggle at enlarged Italian bank

By Paul Betts in Milan

A power struggle over the management control and international alliances of UniCredito Italiano, Italy's largest bank in terms of stock market capitalisation, is expected to come to a head today at a shareholders meeting to elect a new board.

The battle is pitting the charitable foundations, which agreed last year to merge their banks with Milan-based Credito Italiano, against the management of Credito Italiano and its traditional core shareholders.

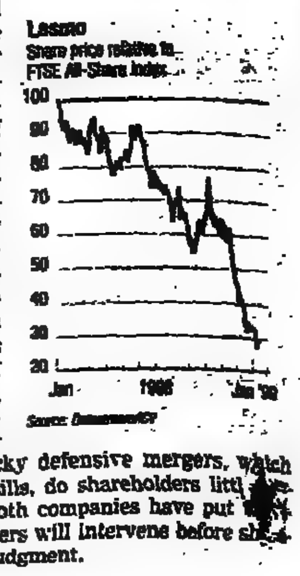
The agreement last year between the foundations controlling the Cassa di Risparmio di Verona, the Cassamarca and the Cassa di Risparmio di Torino – three rich north Italian regional banks – with Credito Italiano created one of Italy's largest new banking concentrations at a time of rapid consolidation in the country's banking sector.

However, the Verona and Cassamarca foundations have sought to assert their influence in the new enlarged UniCredito banking group which they have felt was coming too strongly under the grip of Alessandro Profumo, Credito Italiano's chief executive, and Lucio Rondelli, Credito Italiano's veteran chairman.

The Cassa di Risparmio di Torino foundation has so far unsuccessfully sought to mediate the dispute which last night appeared to be heading for a clash at today's meeting. Up to a week ago, the meeting was seen as a formality. However, the Cassa di Risparmio di Verona and Cassamarca, however, sold 0.75 per cent of their stake in UniCredito to Deutsche Bank without informing the UniCredito management beforehand. This took UniCredito's management by surprise and suggests they are not prepared to play a passive role in the enlarged banking group. In turn, this has provoked increasing tensions with the bank's independent management.

COMMENT

Enterprise Oil/Lasmo



Enterprise and Lasmo will find it tough to persuade investors that a merger between the two oil exploration and production companies makes sense. None of the reasons Enterprise produced during its unsuccessful 1994 hostile bid – including complementary rather than overlapping assets – promised much value creation. It is difficult to see that the industrial logic has improved. The only obvious explanation for a renewal of Enterprise's interest is that, harried by the oil price collapse, it is running for cover from predators itself. Panicky defensive mergers, which serve effectively as poison pills, do shareholders littl[illegible] vice. With any luck, since both companies have put [illegible] selves into play, counter-bidders will intervene before sh[illegible] holders are forced to sit in judgment.

Mirror Group

For the second time in a year, Trinity, the UK's largest regional press group, has broken off merger talks with Mirror. Shareholders tantalised by reports of £10m-£20m annual savings are right to question what divides the two camps. The answer, it appears, is largely disagreement over price. Mirror feels a no-premium merger based on its current share price, some 35 per cent below its summer high, is too low. Fair enough, perhaps. Mirror would end up with about 55 per cent of the company, despite contributing some 65 per cent of pro forma 1999 earnings before interest, tax and depreciation.

But Mirror's lowly-rated stable of national newspapers and its loss-making Live TV channel can only partly be blamed for the disparity in the two companies' ratings. Trinity's management team seems better regarded in the industry and has the confidence to demand the top slots in any merged company. Although it would be easy to blame the breakdown on the unwillingness of the bigger comp[illegible] management to walk the plank, that is not the case. M[illegible] David Montgomery is prepared to cede the chief executive role to Trinity's Philip Graf to get a sensibly structured deal done.

However, given the lack of scope for financial buyers to counterbid, the danger for shareholders is of continuing stalemate. Perhaps Germany's Axel Springer, which contemplated Mirror last May, should take advantage.

NEWS DIGEST

COMMERCIAL PROPERTY

Insignia looks to make mark with St Quintin

Richard Ellis, the UK subsidiary of US-based property consultancy Insignia, is in talks to acquire St Quintin, the independent chartered surveyors.

If successful, it would be the latest move in a strea[illegible] mergers in an industry that has seen dramatic consolidation over the last 18 months.

The four largest UK property consultancies have all merged with, or been acquired by, US partners, within the last year, reflecting both the need for an international service capacity for corporate occupiers and the requirement to engage in capital-intensive activities.

"Obviously, there is a consolidation going on," said Alan Froggatt, chief executive of Richard Ellis. "In the UK there are two or three firms which have got a larger market share and this will move us into that bracket."

Insignia hopes to expand the enlarged operation into Europe.

Mr Froggatt said he believed the future for independent mid-sized firms of chartered surveyors was uncertain.

St. Quintin, a firm which generates about £20m ($33m) per year in revenues, has a particularly strong market share in central London property.

The combined operation would have about a 25 per cent share of this market.

Richard Ellis generates annual revenues of about £40m.

If the transaction is completed, the combined company would have over 800 employees in offices based in London, Birmingham, Leeds, Manchester, Liverpool, Glasg[illegible] Belfast and Jersey. **Norma Cohen**

BAA reviews subsidiary

BAA, the airports operator, is considering the future of its BAA/Lynton property subsidiary, including a possible demerger of the business to shareholders.

The company yesterday confirmed that a review of the property business was underway, but said that it would be "premature" to conclude that BAA intended to dispose of its Lynton subsidiary.

However, the company is said to be concerned that shareholders are unable to realise the full value of the subsidiary because its future growth would be constrained by limits on investment. BAA intends to invest more than £500m a year over the next three years in its core airports operations activities, leaving little capital available for non-core activities such as airport perimeter property development.

At March 31 last year BAA/Lynton had net assets of £495m. Over the previous year BAA had transferred some £282m in non-airport operations properties to it. Although the subsidiary owns some assets directly related to airport operations, such as baggage handling facilities, it also owns airport perimeter offices, such as the World Business Centre at Heathrow.

In the year to March 1998; BAA/Lynton had revenues [illegible] £46m and profits of £31m. **Norma Cohen**

RETAIL

Fashions lift TJ Hughes

Strong performances in men's wear and in ladies' fashion accessories helped TJ Hughes, the discount department store group, to a 12 per cent increase in like-for-like sales over the Christmas period.

The increase is in contrast to many other retailers, several of which have reported a subdued Christmas season. Littlewoods, for example, said last week the Christmas period has been very challenging as it announced a rise of just 2 per cent in underlying sales in the nine weeks to January 2.

George Foster, chief executive of Liverpool-based TJ Hughes, said all departments had experienced sales growth but singled out men's wear, which accounts for 18 per cent of sales, as the strongest area.

The group, which is expanding at a rate of about five new stores a year, said overall sales were up 44 per cent in the five weeks to January 2, with like-for-like sales in the second half up 14 per cent so far.

The group, which has a January year-end, runs 22 stores and has begun to expand beyond its base in the north-west and Midlands. It opened its first outlet in Yorkshore last May and plans to open in north-east England in September and in Eastbourne this spring.

For the year to January 31 1998 TJ Hughes recorded a pre-tax profit of just over £3m on a turnover of £75m. **Virginia Marsh**

Fortis seeks €934m via equity issue

By Gordon Cramb in Amsterdam

Fortis, the Belgo-Dutch financial group, is today to launch a scaled-down version of an international equity issue withdrawn last October when market conditions turned against it.

Its Amsterdam quoted arm – the former Fortis Amev, since this month known as Fortis (NL) – is offering 25m shares, after a 2-for-1 stock split which also takes effect today. Based on Friday's adjusted closing price of €37.35 this would raise about €934m ($1.08bn).

The shares will represent barely 2 per cent of expanded equity for the group as a whole, and the sum being sought is only about half the Fl 4bn (€1.8bn, $2.1bn) Fortis had wanted to raise last autumn.

The group said the exact number of shares would depend in part on how the price moved during the issue period – pricing and allocation is due before trading opens on Thursday.

Shares in Fortis (NL) rose 5.8 per cent last week as European equity markets welcomed the arrival of the single currency.

The group last year moved to strengthen its position ahead of monetary union by taking over Générale de Banque, Belgium's biggest bank, for BFr410bn (€10.2bn, $11.7bn) and agreeing to pay the Belgian government nearly BFr52bn for the 25.1 per cent it does not own in ASLK-CGER, that country's fourth largest bank.

The latest equity offering will be used to refinance loans taken out to fund the ASLK deal and to strengthen overall solvency. Within two weeks of pulling the previous share issue, Fortis launched a Fl 1.5bn convertible bond as a first stage in the refinancing.

This week's share issue, like the successful convertible and the failed October attempt, is being lead-managed by Morgan Stanley Dean Witter along with MeesPierson, the Dutch merchant bank owned by Fortis.

There will be a retail offering in the Netherlands and a private placing to international institutions. An additional 4m shares can be issued if demand is sufficient.

Fortis has spent the past few months streamlining group management and bringing the economic value of its Brussels and Amsterdam quoted shares into line.

Aegon plays on its local strengths

Insurer has doubts about scope for consolidation in the euro-zone, says Andrew Bolger

Aegon, the international life assurance and pensions group, is enthusiastic about the launch of the euro, and hopes the UK will soon join those already committed to economic and monetary union.

Kees Storm, chairman of the Netherlands-based group's executive board, says: "If a common market does not have a common currency, then it fails to take an opportunity. We will have much higher trade flows within euroland than we had before. I do sincerely hope the UK will join in the year 2002; otherwise I'm afraid we'll have to explain why the UK is lagging behind."

However, Aegon remains sceptical over how much scope there is for a consolidated European market in insurance and pension products, given the cultural, linguistic, legal and fiscal differences that persist across the euro-zone.

Mr Storm says: "We should not exaggerate the influence of the euro, especially for our products. They are partly tax-driven and I think individual European governments – and maybe even the Scottish parliament – would like to have their own budget, and levy their own taxes. That's the last thing that governments and parliaments will give up."


Kees Storm: Aegon prides itself on its decentralised approach

Aegon believes similar thinking explains the deal most cited by proponents of the European consolidation story – the recent acquisition of AGF, the French insurer, by Allianz, Europe's biggest insurance group.

Mr Storm says: "That acquisition proves that Allianz also believes you have to acquire a French company to do business in France. If they had believed in euroland they would not have had to acquire that big group – they would have done it from Germany. But I don't see any French customer buying a policy in Germany."

Aegon, which ranks as the world's third biggest insurer by market capitalisation behind AIG of the US and Allianz, and seventh biggest listed insurer by assets, is no stranger to acquisitions. In 1993 it bought Scottish Equitable, the demutualised life group based in Edinburgh, and in 1997 it paid $3.6bn for Providian, the US insurer based in Kentucky.

Mr Storm says: "We are always a little annoyed when we are described as a Dutch insurance group – we are an international company that has less than 20 per cent of its employees in the Netherlands, and more than 50 per cent in the US."

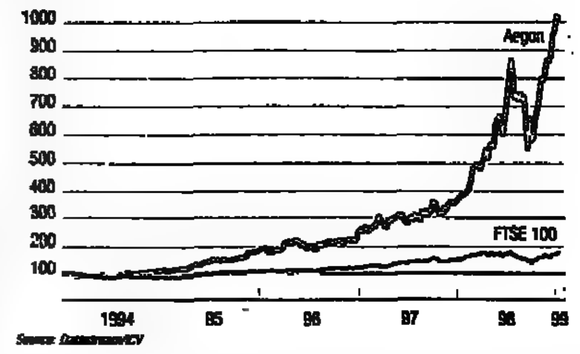
Aegon prides itself on taking a decentralised approach, giving a high degree of autonomy to the management of its individual business units. Only 80 people work in the holding company's head office in The Hague.

Mr Storm says: "The Dutch company is as independent from the whole as is the US company, which is now larger than the Dutch company. The holding company has to be somewhere, and it happens to be in The Hague – but it could be Luxembourg, it could be in London, it could be anywhere in the world."

Smiling mischievously, Mr Storms adds: "So if the Dutch government doesn't behave, we could always tell them: 'You don't own us any more'."

Also distinctive is Aegon's reliance on local managers. Mr Storm says: "There are no Dutchmen in any management team anywhere in the world outside the Netherlands. We have a completely different philosophy from the Japanese, the French or the Americans because they always put people in the top teams of the acquired company."

Aegon's approach has certainly paid off in financial terms. It is expected to have increased its net income by about 25 per cent in 1998, having maintained an average annual income growth rate of 17 per cent over the past 10 years and 19 per cent over the past five.



The company's shares have hugely outperformed every share quoted in London's FTSE 100 index, whether over a one, three, five or 10-year period. Although the FTSE 100 index has more than tripled since 1989, Aegon's shares have increased thirty-fold over the same period.

One reason for this outperformance is analysts' growing enthusiasm for life assurance, pensions and savings products, which account for more than 85 per cent of Aegon's income.

The company has also questioned the current vogue for "bancassurance" deals – not least because banks' shares tend to be less highly rated than those of life assurers.

Mr Storm says: "Our philosophy is that we don't have to marry a bank because it brings down the value of our stock to investors. We wouldn't do our shareholders any favours if we merged with a bank. But we've always said we love to co-operate with banks – so we don't marry them, we date them."

While concentrating on maintaining annual organic growth of at least 10 per cent, Aegon has also said it would consider making further acquisitions in the US, the euro-zone and the UK – although Mr Storm believes the share prices of UK insurers currently look "very high".

He says: "Our hurdle rate that we have promised to our investors is an 11 per cent return on investments – so to make that level of return on today's share prices is very hard. But fortunately we don't have to acquire only stock market listed companies – mutual companies can also join the Aegon family."

Sumitomo might sell Banca del Gottardo stake

By William Hall in Zurich

Shares in Banca del Gottardo, one of Switzerland's largest private banks, jumped sharply on Friday following the disclosure that Sumitomo Bank, Japan's second biggest bank, was considering selling its controlling stake.

Sumitomo paid $144m in 1984 for its 53 per cent stake in the Lugano-based Banca del Gottardo, a holding which is now worth about $900m.

Sumitomo was the first Japanese bank to buy a European bank. It used it to lead manage international bond issues in Switzerland for Japanese borrowers as well as to develop a private banking franchise targeted at Italian-speaking customers. However, Japanese groups are borrowing far less now in Switzerland and Japanese banks have cut back their international business because of problems at home.

Sumitomo Bank has not formally announced it wants to sell its stake in Gottardo. However, it has informed the bank that a number of companies have expressed an interest in acquiring all or part of its stake.

Gottardo said it was too early to say whether Sumitomo would sell any of its shares and whether or not this would lead to a public offer for the remainder. However, its decision to disclose that a number of interested parties have approached Sumitomo is in stark contrast to last year, when it issued a joint statement with Sumitomo stressing that no change in the stockholders' structure was expected.

Banca del Gottardo's profits have been recovering in recent years from a low level. In 1998 net profits rose 38 per cent, to SFr112m ($80.2m), and return on equity has jumped from 7.1 per cent in 1996 to 13 per cent last year. Its commission income rose 27 per cent last year and bad debt provisions have been falling.

In the first half of 1998 assets under management rose 18 per cent to SFr29.3bn. At the end of 1997, Gottardo had shareholders funds of SFr810m, a cost/income ratio of 45 per cent, and 959 staff. It has four branches in the Italian-speaking part of Switzerland, as well as Geneva, Lausanne and Zurich.

Based on its current market capitalisation of SFr2.3bn, Banca del Gottardo is valued at about 30 times 1996 earnings. Madeleine Hofmann, of Credit Suisse First Boston, believes that if a takeover was launched it would be at between SFr1,450 and SFr1,500 a share.

Alcoa up despite price fall

By Nikki Tait in Chicago

Alcoa, the world's largest aluminium producer, shrugged off a 20 per cent decline in prices to post a 6 per cent improvement in after-tax profits for 1998.

The US group said it made $853m for the year overall, compared with $805.1m in the previous 12 months. Earnings per share advanced 5 per cent to $4.87.

The improvement would have been substantially larger but for special items: the 1997 results were boosted by one-off gains from asset sales, and the company said the underlying year-on-year rise in profits was about 12 per cent.

For the fourth quarter, Alcoa reported a small dip in earnings per share to $1.19 from last time's $1.23. After-tax profits, however, were 4 per cent higher at $218.3m, and would have been 23 per cent higher but for the special items which boosted the 1997 numbers.

However, the fourth-quarter figures were ahead of many analysts' expectations. Forecasts for fourth-quarter and full-year earnings per share had averaged about $1.06 and $4.75 respectively, according to the First Call research firm.

Revenues for 1998 totalled $15.3bn, up 15 per cent, although this increase in part reflected acquisitions – notably Alcoa's takeover of Alumax, the third largest US producer.

Alcoa described the outcome as "exceptional" and said the results in part reflected the group's focus on cost-cutting.

COMPANIES & FINANCE

NEWS DIGEST

POLISH POWER

Elektrim to start talks on buying PAK stake

Poland's treasury has asked Elektrim, a listed industrial conglomerate, to start talks on the purchase of a strategic stake in PAK, a lignite fuelled power complex which provides 11 per cent of the country's electrical energy supply.

The decision, taken last week by Emil Wasacz, the treasury minister, signals the failure of a bid by National Power, the UK generator, whose talks on the purchase of the stake foundered just before Christmas. At that time the treasury argued that National Power, which had been willing to pay $125m for the stake, had amended its offer by demanding a power purchase agreement with state owned distributors as part of the deal.

The UK generator said a transitional power purchase agreement was crucial to the success of the investment as Poland had started to liberalise its electricity market and prices had become volatile.

Elektrim recently saw the resignation of Andrzej Skowronski, managing director, after the company revealed it had failed to inform its shareholders about internal agreements that lowered the value of its stake in Era GSM, a mobile telephone operator. It is at the head of a consortium that includes bank Pekao SA, Elektromontaz Polnoc and Mostostal Warszawa, two listed construction companies, and the California Energy Company. **Christopher Bobinski, Warsaw**

SEMICONDUCTORS

Setback for Taiwanese group

Taiwan Semiconductor Manufacturing, a leading microchip maker, expects to report a 14.6 per cent fall in profits for 1998, underlining the difficulties faced by the world chip market. However, the company said a rise in sales last year and record chip production orders in December augured well for 1999. Taiwan Semiconductor said unaudited preliminary results showed sales rose to T$50.23bn (US$1.56bn) in 1998, up 14.3 per cent from 1997, while net profits fell to T$15.34bn from T$17.96bn.

The company, which operates as a foundry business making chips for integrated circuit design houses and other semiconductor producers, said sales growth came despite a 10 per cent decline in the global microchip market and that profits were expected to be higher this year.

Liu Chitung, regional electronics analyst for Warburg Securities in Taipei, said Taiwan Semiconductors' report of a 35.5 per cent dip in sales in December had been slightly worse than expected, but he expected stronger sales growth and a higher capacity utilisation rate in 1999.

In its profit statement, issued after the close of trading in Taipei on Friday, the company said December bookings had been a monthly record and were likely to result in higher first-half chip production. **Muir Dickie, Taipei**

TELECOMMUNICATIONS

Nokia wins Chinese contract

Nokia, the Finnish telecommunications group, has won a $260m contract to expand the mobile telephone subscriber base in Henan, one of China's largest provinces. The contract, involving the supply of GSM equipment, mobile switching centres and base stations, will increase the mobile telecommunications capacity in Henan to up to 4m subscribers. In Helsinki on Friday, Nokia's shares rose €4.95 to €120.30. **Tim Burt, Stockholm**

POLISH INSURANCE

Pension fund licence granted

Zurich Solidarni, an insurance joint venture between Zurich Financial Services and Solidarnosc, the 1.6m-strong Polish trade union, has been granted a government licence to conduct pension fund business in Poland ahead of a partial privatisation of the state pension system in April. Similar permission has already been granted to other insurers, including Prudential Insurance of the US, the UK's CGU and Norwich Union, and Eureko, an alliance of seven European insurers. **Andrew Bolger**

COMMERCIAL TELEVISION

CME expands in Ukraine

Central European Media Enterprises, the pioneer of private commercial television in east Europe, is expanding its interests in Ukraine after suffering heavy setbacks in the past year in Hungary and Poland. It is increasing its stake in Studio 1+1, Ukraine's most popular television station to a controlling 60 per cent from 50 per cent in a deal worth $5m.

CME, which has suffered problems in several of its operations in the region because of lack of majority control, said that Studio 1+1 would be consolidated in its future financial results. CME was recently forced to abandon the Polish television market following a protracted conflict with ITI Holdings, its local partner. **Kevin Done**

CINEMA

Universal move by Seagram

Edgar Bronfman Jr, Seagram president, is to meet senior executives of PolyGram Filmed Entertainment, Europe's largest film group, later this month to finalise plans to merge it into Universal, the Hollywood film studio.

The fate of PFE has hung in the balance since last summer when Seagram mounted an $11bn bid for the PolyGram group. Having failed to sell PFE intact, Seagram is now assessing which parts of the business to keep, while looking for buyers for the unwanted assets.

Universal's management is also interested in absorbing parts of PFE's non-US operations. If Seagram agrees, Universal could become an active investor in production and distribution within Europe, thereby limiting the damage caused by PFE's demise. Seagram is now close to finalising the sale of a library of films and television programmes to Carlton, the UK media group. It has already sold the rest of PFE's library to MGM/UA, the Hollywood studio. **Alice Rawsthorn**

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Vodafone (UK)	AirTouch (US)	Telecoms	$55bn	Merger proposal
Investor consortium (Intl)	Retevision (Spain)	Telecoms	$866m	Full control
SingTel (S'pore)	AIT (Thailand)	Telecoms	$341m	Initial 20% tie-up
Kalon (UK)	Polifarb (Poland)	Paints	$130m	Cash for 60%
HypoVereinsbank (Germ)	F&C (UK)	Financial srvcs	$84m	Stake now 90%
ALD (Germ)	BCH (UK)	Vehicle L'sing	$65m	Agreed takeover
Cable & Wireless (UK)	ECRC (Germany)	Telecoms srvcs	$45m	Internet move
Powell Duffryn (UK)	KSE (Norway)	Engineering	$40m	Kvaerner disposal
Kappa (France)	Eyecare (UK)	Eye products	$22m	Recommended
Fyffes (Ireland)	Capespan (SA)	Food	$20m	New alliance

TELECOMMUNICATIONS CHANGE MADE IN PENSIONS ACCOUNTING

Lucent Technologies to take $1.3bn gain

By Tracy Corrigan in New York

Lucent Technologies, the US-based telecommunications equipment maker, will take a one-time after-tax gain of $1.3bn in its fourth quarter, following a change in how it accounts for pension benefits expenses.

The change is expected to add about $170m of net income in 1999. Gregory Geiling, telecoms equipment analyst at J.P. Morgan, described the change as "a nice pop to earnings" for Lucent.

The one-off gain reflects the impact of the change dating back to 1986. The company's conservative approach and the strong performance of the stock market during that period had resulted in $7.7bn of accumulated gains in plan assets that were unrecognised for accounting purposes.

The Securities and Exchange Commission has recently warned companies against over-conservative accounting practices.

"Lucent's method of valuing pension and benefit assets had been among the most conservative of the more than 150 large US corporations surveyed by our auditors PwC," said Donald Peterson, Lucent chief financial officer. "Our outside auditors agree this change is preferable."

Lucent Technologies, which was spun off from AT&T in 1996, is in the process of "turning itself into a fast-moving communications equipment company focused on data and voice solutions," said Tim Luke, analyst at Lehman Brothers.

Under US accounting rules, Lucent was unable to use favourable "pooling of interests" accounting for acquisitions until it had been an independent company for two years, a mark it reached on October 1.

There has been speculation that Lucent plans a big acquisition this year, with Ascend Communications, the US data networking company, seen as a likely target.

● Telefónica, Spain's dominant telecoms carrier is negotiating the sale of a 24.4 per cent stake it controls in Amper, the main domestic maker of telecoms equipment, to Lucent.

The Spanish operator is said to be seeking a price of €35.24 per Amper share, which would value the deal at €86.2m ($99.6m), writes Tom Burns in Madrid.

Telefónica said the sale followed a decision to withdraw from investments in supplier companies, and formed part of talks with Lucent to establish a broad co-operation agreement. Telefónica accounts for some 40 per cent of Amper's sales.

People familiar with the transaction said Lucent could acquire an initial 12 per cent of Amper with an option to buy the remaining Telefónica stake. The reported sale price represents a 5 per cent increase on the €24 an Amper share that Telefónica paid in June when it raised its stake from 15 per cent to 24.4 per cent.

Amper shares closed at €24 on Friday, a rise of 8.4 per cent on the previous day's trading, following news of Telefónica's talks with Lucent.

Short-list for Czech bank sale expected

By Robert Anderson and Stefan Wagstyl in Prague

The Czech government is to draw up a short-list of bidders by the end of this month for the sale of Ceskoslovenska Obchodni Banka (CSOB), the country's fourth biggest bank.

This follows the granting of financial help last month to Ceska Sporitelna, the troubled main retail bank, ahead of its planned privatisation by the end of the year.

The government has taken responsibility for Kč10.5bn ($346m) of bad loans and is subscribing to a Kč5.5bn subordinated debt issue. It has also promised to support a planned Kč5bn equity issue, which could be linked to the eventual privatisation.

Both moves demonstrate the Social Democrat government's new sense of urgency over bank privatisation after some initial hesitation. The new government restarted the sale process in October after the emerging market downturn and domestic recession exposed the weaknesses of the banking sector and worsened a corporate credit squeeze.

Pavel Kavanek, chief executive of CSOB, said the bank had completed talks with around a dozen bidders and preliminary offers arrived just before Christmas.

He believes the state steering committee would "comfortably" make a short-list of three or four bidders this month, and after receiving binding offers, could sell the bank by April.

The government is offering to sell at least a 51 per cent stake in the former trade bank from its 66 per cent shareholding. Analysts estimate the value of the state's stake at Kč20bn.

Mr Kavanek said in an interview that he wanted the strategic partner to develop the bank's retail business and international links. "We want to become a diversified financial services group," he said. "We have to catch up in retail."

The biggest obstacle to the bank's sale was removed last April when the previous government guaranteed to cover 90 per cent of a disputed Sk15.6bn ($423m) debt owned by the Slovak state.

A hearing on the debt began at the International Court for Settlement of Investment Disputes in Washington last week but the new Slovak government has called for an out-of-court settlement and Mr Kavanek is optimistic of a positive outcome.

What is not yet clear is whether Slovakia will sell its 24 per cent stake in CSOB as part of the privatisation.

Mr Kavanek said: "There is a window of opportunity to join the momentum of the Czech side and release the value of this shareholding."

Rather than pull its shares with the Czech government, it is seen as more likely that Slovakia will sell to an international financial institution such as the European Bank for Reconstruction and Development or the International Finance Corporation, the investment arm of the World Bank.

INTERNATIONAL BONDS INVESTORS START TO EXPLORE AN ALTERNATIVE TO THE US TREASURIES MARKET

Euro makes an impact on dollar

By Rahul Jacob

When Sally Wilkinson, a senior economist with Daiwa Europe, met with institutional investors on a trip to Japan late last year, she was surprised to find that their questions about the prospects for euro-denominated bonds were broadly similar to those she faced when meeting investors in Europe. Only a year earlier, their knowledge of the euro had been quite superficial.

This time around, Japanese money managers quizzed Ms Wilkinson extensively about the outlook for interest rates and fiscal policy in the euro-zone. "There has been a sea change. They are even looking at the Iberian region, which they never did before," says Ms Wilkinson.

If there is one arena in which the birth of the euro has almost overnight created a titan to rival the US, it is the government bond market. According to Lombard Odier, the euro bond market (most of which is issued by governments) is $4,400bn; the US Treasury market, by contrast, is roughly $3,700bn. Before the euro brought these markets together, even the German market was dwarfed by the market for US Treasuries.

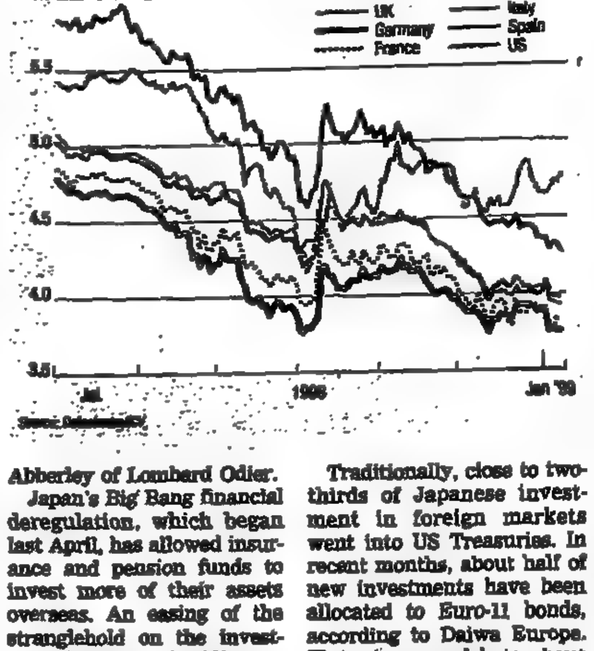
For bond investors seeking a large, liquid alternative to the US Treasury market, the sum of the euro bond markets is, in effect, much larger than its parts.

One large investor, Nippon Life, reportedly plans to increase its allocation to euro-denominated assets to half of its $44bn overseas portfolio, up from 30 per cent currently.

The expected shift in allocation by Japanese and other foreign investors from US Treasuries to euro bonds promises to add to the pressures that could drag down the dollar this year. Over the long term, the very primacy of the US dollar could be threatened.

Last week, hype briefly coincided with reality on Europe's bond markets. Large Japanese life insurers and the administrators of the huge postal savings accounts were notable among the investors queueing to buy European government bonds. On Wednesday, Germany sold €7.3bn ($8.47bn) of 10-year bunds, but the auction was more than three times oversubscribed.

The following day, as concern mounted that the market might have trouble digesting the heavy supply of government bonds scheduled for the euro's first week, France's €3.4bn 10-year OATs were oversubscribed some two and a half times. "We have it on good authority that the Japanese participated quite extensively in the French and German auctions," says Paul Abberley of Lombard Odier.



Japan's Big Bang financial deregulation, which began last April, has allowed insurance and pension funds to invest more of their assets overseas. An easing of the stranglehold on the investment decisions of public pension funds has also added to the funds going abroad.

The flow of money overseas has quickly become a flood, in part because yields on Japanese bonds have been so low. Net purchases of foreign currency bonds have increased every month since April 1998. It now totals $92bn after the first eight months of the financial year ending March 31 1999.

Traditionally, close to two-thirds of Japanese investment in foreign markets went into US Treasuries. In recent months, about half of new investments have been allocated to Euro-11 bonds, according to Daiwa Europe. There is some debate about how quickly Japanese institutional investors will take to the euro, but the direction is clear.

Still, a shift out of Treasuries by Japanese investors might not be the apocalypse for the US that so many predict. Even in the unlikely event that the Japanese were to repatriate all $265bn of their holdings in US treasury bonds, that could be compensated by domestic investors in the US increasing their bond weighting by just 4 per cent at the expense of equities, says Phyllis Reed, a European bond strategist at Barclays Capital.

The real danger for the dollar is not the new euro on the block, but that foreign investors' passion for US markets is cooling. Foreign capital inflows into US equity and bond markets totalled $194bn in the first three quarters of 1997. Assuming that pace was maintained in the last quarter, observes Bear Stearns economist David Brown, net inflows in 1998 will have finished a third lower than in 1997.

To make matters worse, the US is expected to have a current account deficit of $300bn this year. It needs large foreign capital inflows just when the declines in US corporate profits in forecast for 1998 and 1999 make the US stock market look more scandalously overpriced than ever.

"If foreign investors take the view that the US is an over-invested economy, they will not put as much in US markets. That's a much bigger factor in the immediate future of the dollar than the euro," says one economist. The dollar, like so much else in the US, looks precariously perched on the stock market's house of cards.

Japanese oil groups step up cost-cutting plans

By Alexandra Harney in Tokyo

Showa Shell Sekiyu and Cosmo Oil, two leading Japanese oil groups, are stepping up plans to cut costs and improve cash flow by cutting staff, selling assets, and slimming distribution networks.

The moves underscore the mounting pressure on Japanese oil companies to bring their cost base in line with global standards amid heightened competition in the industry.

Over the past year, the industry has seen its largest-ever domestic merger, between Nippon Oil and Mitsubishi Oil last October, and global tie-ups between Amoco and British Petroleum and Exxon and Mobil.

Deregulatory reforms launched by the Japanese government have also made market conditions tougher, and further mergers are said to be under discussion.

In an unusual move in the Japanese oil industry, Cosmo Oil, one of the big seven groups, said it would securitise some assets and sell others as part of a plan to reduce interest-bearing debt from Y400bn to Y200bn ($1.8bn) by March 2003.

However, it declined to specify which assets would be targeted. The group also deepened cuts initially announced last year, with an additional Y20bn in cost reductions, mainly through wage cuts, early retirement and improvements in administrative efficiency.

Showa Shell, part of the Royal Dutch-Shell group, announced a broad restructuring programme aimed at reducing expenses. The chief reforms are the elimination of 900 jobs, or nearly 30 per cent of the workforce, and the reduction of sales, general and administrative expenses.

The job cuts, which were first announced last November and are scheduled to begin this month, would be achieved through natural attrition, extended holidays, retirement plans, and transfers to subsidiaries and affiliated companies.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange quoted against four key currencies on Friday, January 8, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7701.42	4750.00	5407.44	4352.38
Albania	(Lek)	228.643	140.050	161.735	123.928
Algeria	(Dinar)	100.405	62.2190	70.7136	54.9206
Andorra	(French Fr)	9.3138	5.6781	6.5596	5.0552
	(Sp Peseta)	236.246	144.695	166.386	128.341
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMERGING MARKETS EQUITIES RALLY 'NOT SUSTAINABLE'

Indonesian rebound causes little joy

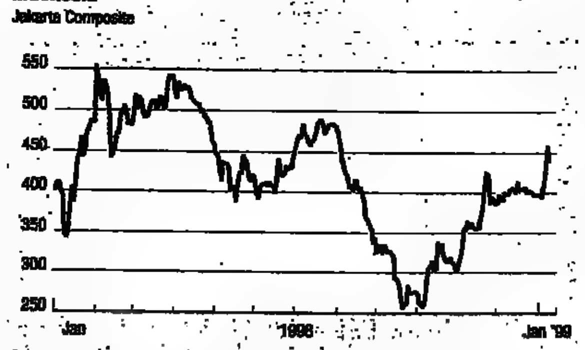
By Sander Thoenes in Jakarta

Indonesia outperformed within a strong rebound for Asian stock markets last week, but analysts saw little cause for a sustained rally.

The Jakarta Stock Exchange composite index moved lower on Friday, as investors pocketed some of the recent profits, but it still turned in a net gain over the five days of 10.3 per cent, having risen 3.6 per cent on Tuesday, 4.5 per cent on Wednesday and 7.2 per cent on Thursday after a wave of foreign buying orders.

Indonesia

Jakarta Composite



Source: Datastream/ICV

Some traders credited the strong showing to the conservative draft budget submitted to parliament for the fiscal year starting April 1.

Parliament members surprised the market on Friday by saying they wanted an even more cautious budget, rather than heavy spending on social welfare ahead of elections in June.

However, other analysts said shares rose faster than elsewhere because of the disproportionately heavy impact of renewed foreign buying across Asia on Jakarta's low trading volume. Net buying by foreign investors amounted to Rp241bn ($30.2m) during the biggest rally, on Thursday, while total trading volume on Friday was a mere Rp376bn.

"The Indonesian stock market has been underweighted by most investors, compared with Korea and Thailand for instance," said David Chang, head of research at Trimegah Securities. "We got less money than the others, but because our market is small, when money comes in it goes up sharply and the locals tend to jump on the bandwagon."

"This is not sustainable," Mr Chang added. "There are no fundamental improvements in the companies. The buying we saw was mostly in the blue chips," such as the telephone utility Telekomunikasi Indonesia and cigarette manufacturer Gudang Garam, which were also the biggest losers on Friday. "The foreigners will not keep buying and the locals will wind down ahead of Idul Fitri," he said, referring to a week of holidays starting on January 16 that marks the end of Ramadan.

The coming months offer little ground for a big rebound, traders said. Many fear renewed political unrest ahead of parliamentary elections in June and presidential elections later this year, and a further deterioration in law and order that is likely to hinder production, transport and consumption.

"Up to the elections, nobody is going to take a fundamental decision on Indonesia. What we'll see is heavy volatility continue, mostly on political events. This is a bit of a traders' market if you're looking for short-term profits," said Ray Anthony, analyst with G.K. Goh Ometraco.

A strong rebound and subsequent stabilisation of the rupiah late last year, combined with a sharp drop in inflation, has given Indonesia some relief and hope of recovery, but traders felt this would make little difference to the equity market.

"This is the trough," Mr Anthony said. "We've seen the worst of GDP contraction, of runaway inflation. The blue chips have proven quite resilient. But I doubt business will change much."

A stronger and more stable rupiah eases the pressure of foreign debt and offers hope for survival to many of the blue chips, but it has little short-term impact as few are making debt repayments and even at the current exchange rate debts are three times pre-crisis levels.

In contrast, a stronger rupiah has an immediate impact on the competitiveness of Indonesian exports and the rupiah returns on dollar-denominated commodities, the country's main source of income.

The National Bureau of Statistics last week reported a 5.7 per cent drop in exports in the first nine months of 1998, to $35.25bn. Exports to Japan, the largest market, dropped 29.56 per cent to $37.25bn in the first 10 months.

Analysts and bankers have also noted renewed interest from strategic investors, both bargain hunters and old participants. Newspapers reported last week that Pertamina, the oil and gas monopoly, expected its contractors to spend $5.3bn on exploration and production in 1999, a rise of $4.3bn on last year.

Taken at face value, year-on-year, Jakarta was one of the world's best performing markets in 1998, ending down only one per cent when all but a handful dropped sharply. This statistic is somewhat misleading, however, as Jakarta's shares collapsed ahead of the pack in 1997, making it the worst performing market in that year, and rebounded only in late 1998.

In dollar terms, also, the index dropped by roughly a third along with the rupiah and foreign investors sold Rp5,100bn ($637.5m) more than they bought. Virtually all brokerages have cut staff and some have even moved their researchers abroad.

POTASH BIGGEST PRODUCER IN TALKS TO BUY EISENBERG FAMILY HOLDING

PCS seeks Israel Chemicals stake

By Avi Machlis in Jerusalem

Potash Corporation of Saskatchewan, the world's biggest potash producer, has moved to secure control of Israel Chemicals, the export-driven chemicals group, by acquiring one of Israel's biggest holding companies.

Israel Corporation, a conglomerate controlled by the family of the late billionaire Saul Eisenberg, yesterday said it had launched talks with PCS to sell the Eisenberg family's 53 per cent stake in the group. At current market capitalisation, that would be worth about Shk1.1bn ($269m).

Shares of Israel Corp, which owns 52 per cent of Israel Chemicals, jumped 4.46 per cent on the Tel Aviv Stock Exchange yesterday to Shk398. Israel Chemicals rose 3.64 per cent on the news to Shk4.27.

Last month, PCS bought 9 per cent of Israel Chemicals for Shk390m when the government liquidated its 31.5 per cent stake. Control of Israel Chemicals would allow PCS, which is focused in North America, to establish a presence in European and Asian markets.

Israel Chemicals recently beat PCS in a tender for Grupo Potasas, the Spanish potash producer. Dead Sea Works, an Israel Chemicals subsidiary, is building a $486m potash plant in China.

"This is a big vote of confidence in the Israeli economy," said Martin Gelfman, equity analyst at Nessuah-Zannex Securities in Tel Aviv. "If PCS closes the deal and then sells off Israel Corp's non-chemicals assets, it will also contribute to breaking up concentration in the Israeli economy."

Israel Corp is a diversified holding company with assets in sectors ranging from property to shipping. If the deal is sealed, PCS will probably break up the conglomerate and retain control of the chemicals group, which had net income of $94m and revenues of $1.38bn in the first nine months of 1998. Israel Corp had net profits of Shk192m on revenues of Shk2.4bn over the same period.

Saul Eisenberg, who made his fortune trading in the Far East and especially China, moved his headquarters to Tel Aviv 30 years ago. His death in April 1997 sparked a bitter family dispute over the estate.

Erwin Eisenberg, the son who has taken control of the businesses, said he hoped the sale of Israel Corp would end the disputes and rejected predictions that it would mark the end of the Eisenberg presence in Israel, and pledged to continue doing business in there.

Texaco to book charge of $350m

By Hillary Durgin in Houston

Texaco is to take special charges of about $350m on fourth-quarter earnings as it joins other leading oil companies grappling with low oil prices by cutting capital spending, laying off workers and writing down the value of oil and gas holdings.

The announcement by Texaco, which earlier said it would cut its 1999 capital spending budget by 14 per cent to $3.7bn, follows similar announcements by other oil companies including Conoco and Phillips Petroleum.

While analysts say these actions are a step in the right direction some view them as merely a short-term solution to a situation that requires more drastic measures. Companies including British Petroleum and Amoco and Exxon and Mobil that have decided to restructure through mergers have dealt with the problem head on they say.

Texaco said on Friday its fourth-quarter 1998 results would include net special charges of about $350m including restructuring costs and write-downs on the values of inventories and oil and gas properties. The company is cutting about 2,000 from its worldwide workforce of about 20,000.

Texaco said its earnings for the quarter, excluding special charges, would be between 13 and 16 cents a share. Analysts had been expecting earnings of 30 cents based on estimates compiled by First Call, a Boston-based researcher that tracks analysts' estimates.

In the 1997 fourth quarter Texaco earned $472m, or 87 cents a share, before special benefits of $151m. Revenues totalled $12.05bn.

Investcorp to acquire division from Ascend

By William Lewis in New York

Investcorp, the global investment group, has agreed to acquire the Stratus Enterprise Computer division of Ascend Communications, the US telecommunications equipment company.

For Investcorp, one of the world's leading private equity groups, this technology deal provides further evidence of its move into new industry sectors.

In recent years Investcorp has become best known for its retail brand investments, including Saks, the US store group, Tiffany and Gucci.

However, last year the group made its first health-care sector investment when it acquired Harborside Healthcare, a US nursing home company.

Terms of the deal with Ascend are not being disclosed, but it is said by people close to the transaction to be more than $100m in value. Investcorp is partnering Stratus management, which is investing about $3m to $4m.

The sell-off follows Ascend's takeover of Stratus Computer last October. At the time the US group made clear it wanted to sell off Stratus's non-telecoms business, and the deal with Investcorp goes most of the way to achieving that.

The new independent company, to be called Stratus Computer, provides specialised computer servers and related services for so-called mission-critical business applications.

In the year to December 31 1998, the division Investcorp is buying had revenues of about $275m.

"As a leading player in the growing market for continuous availability computing systems, Stratus is well positioned, with both its current product platforms and those currently under development, to capitalise on the anticipated growth in this market," said Christopher Stadler, a member of Investcorp's management committee.

Mory Ejabat, president and chief executive officer of Ascend, said "our divestitures of Stratus's non-telco businesses will strengthen Ascend's focus and leadership in the telecommunications market".

The transaction is expected to close in the first quarter of this year.

Founded in 1982, Investcorp has completed a total of more than 70 deals worth about $12bn.

Chinese farm group plans Hong Kong float

By Louise Lucas in Hong Kong

A Chinese farm group is preparing to float on the Hong Kong stock market, signalling a return of the so-called H-shares.

Market weakness and extreme volatility made 1998 the weakest year for H-share issues – the name given to the stock of mainland enterprises that list on the Hong Kong stock market – since they began in 1993.

Heilongjiang Agriculture is expected to raise up to RMB1.8bn ($217m). As the first mainland farming stock – a sector favoured by the mainland authorities under the current batch of companies slated for an overseas listing – analysts think it will find favour with investors jaded with the restricted range of H shares.

Heilongjiang Agriculture is expected to issue shares on a price/earnings multiple of about nine times last year's earnings, in line with the more conservative multiples now offered by mainland stocks.

China Telecom Hong Kong, which launched its US$4bn offering as the markets started to crumble in October 1997, boasted a p/e ratio of more than 30 times 1997 earnings, although telecoms companies naturally have higher p/e ratios.

As with issues launched in 1997, part of Heilongjiang Agriculture is expected to be snapped up by strategic investors. Typically these buyers have been Hong Kong companies, but banks have also taken stakes in groups they bring to market.

BNP Prime Peregrine Capital, which comprises most of the former greater China team of Peregrine, the pan-Asian investment bank that collapsed last January, is sponsoring the issue with ING Barings.

If the Hong Kong market picks up, several issues deferred last year are expected to launch. Among those looking to float are Hebei Expressway, which is expected to appoint Deutsche Morgan Grenfell as global co-ordinator, and Ningbo Port, understood to be seeking US$100m-US$200m.

MARKETS WEEK

January 11 - January 17

NEW YORK

By John Authers

After a frantic start to 1999, continued hectic activity is likely in New York this week, with the release of important economic data and the beginning of the fourth-quarter corporate results season.

At the end of last week, the main equity indices stood at records, with the DJIA at 9,643.32, already up from 9,181.43 at year-end. The S&P 500 stood at 1,275.09, already meeting the most confident forecasts by equity strategists for the end of the year. Treasury bond yields increased slightly during the week, with the benchmark 30-year bond yielding 5.268 per cent.

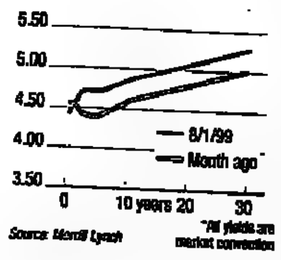
The employment report for December, published on Friday, showed greater strength than expected. This will bring more focus on this week's release of consumer prices and retail sales figures for December.

Standard & Poor's MMS expects a 0.2 per cent rise in consumer prices, mainly due to higher cigarette prices.

Wednesday will see the producer price index while industrial production figures will be published on Friday.

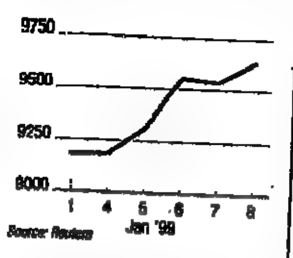
Results are expected from several regional banks and some large manufacturers, but the greatest interest will be in Intel and stocks that benefit from the internet.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

The Bank of England's rate cut last week emphasised that the authorities' concerns, focused on inflation as recently as last summer, have shifted to recession.

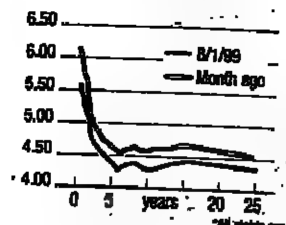
This week sees the publication of a broad range of economic indicators. The damage that the strong pound and the slowing economy have done to the industrial sector should be illustrated today with November figures on industrial production and manufacturing output. They are expected to show that production and output (which excludes the energy sector) dropped by 0.3 per cent month-on-month. Production is forecast to have been up 0.7 per cent on the year and output down 0.3 per cent.

December figures for unemployment are expected to show that the jobless total, which has started to edge up, will have risen by a further 10,000.

Anecdotal reports have suggested there was a late pre-Christmas surge by shoppers and Tuesday's British Retail Consortium survey will give an early indication of sentiment in the high street.

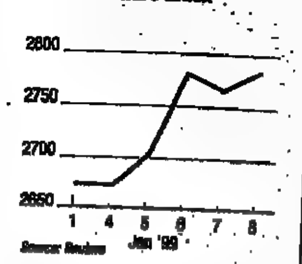
The main results interest will be in interim figures from Tomkins and FI Group.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share Index



Source: Reuters

FRANKFURT

By Tony Barber

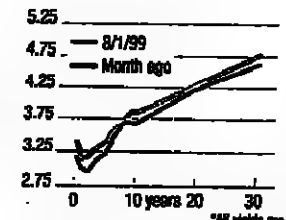
Frankfurt investors are looking this week to extend the strong start to the New Year made by the blue-chip Dax index. Trading volumes are expected to pick up as confidence grows in euro-denominated systems and many traders come back to work today after an extended Christmas and New Year holiday.

Vereins-und Westbank of Hamburg says European stock markets are still underpriced, and the lack of attractive alternatives is pushing investors into buying. It predicts profits of the top 30 Dax companies will grow an average 12 per cent this year.

Motor vehicle and telecommunications stocks benefited last week from repeated suggestions of impending mergers and takeovers. Luxury car maker BMW remains a particular object of attention as a possible takeover target.

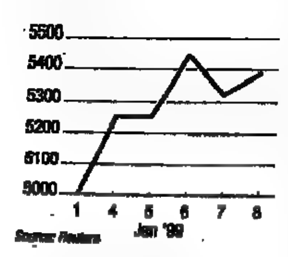
But the market will keep one eye on Japan, where continued strength in the yen might act as a check on the Dax. The index finished on Friday at 5,370 points, up 7.5 per cent on its 1998 close. However, many investors expect it to touch 5,500 points this week and some even think it will jump later this month to 6,000, a level not seen since last summer.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

TOKYO

By Alexandra Harney

With few grounds for optimism about the Japanese economy, attention will focus on the yen-dollar exchange rate, the US stock market and Japanese government bonds this week. The yen's rise to Y110 late last week – its highest since September 1996 – sent equities tumbling on concern about the impact on leading exporters.

The Nikkei 225 index fell 3.3 per cent to close at 13,391.81, with blue chips such as Sony, the electronics and multimedia group, and Bridgestone, the tyre maker, suffering losses on the week.

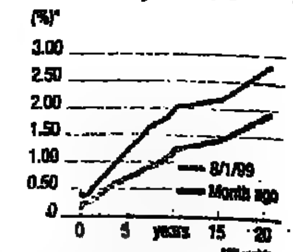
The root of the concern is that the strong yen will force exporters that based earnings forecasts on a Y115-Y120 dollar rate to revise them downwards. Without a weakening in the yen, the Nikkei has plenty of downwards potential.

The bond market rose last week, with yields sliding to 1.67 per cent from just above 2 per cent at the year-end, following a successful government auction.

Data on Japan's current account in November, due on Tuesday, are expected to show a continued fall to Y1,140bn, from Y1,335bn in October.

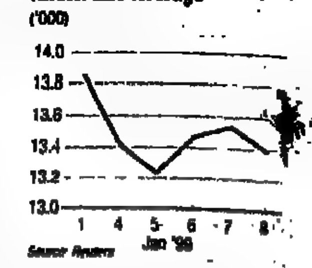
The markets will be closed on Friday for the Coming of Age holiday.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	15.0	100	95	AIM VCT	100					
–	F.P.	–	95½	91½	Abbey Natl Dublin	91½		–	–	–	–
§	F.P.	38.5	121½	116½	BFS D'mand Inc	121½	+2	Hv12.65	–	10.4	–
§	F.P.	3.88	97½	56	Do Cap	97½	+7½	–	–	–	–
–	F.P.	5.88	117½	95	†Chariot	117½		–	–	–	–
§	F.P.	6.10	117	107	Collective Assets Tst	117		–	–	–	–
*230	F.P.	–	272½	233	Financial Object	272½	+8½	–	–	–	26.3
–	F.P.	477.3	353½	229½	First Active	348½		–	–	–	29.8
–	F.P.	–	149¼	105¼	Five Arrows Utl '49	120½	[illegible]	–	–	–	21.0
–	F.P.	37.3	12½	10	Harley B	11		–	–	–	–
§	F.P.	4.92	5½	4½	†National Bldg Mtls	5		–	–	–	–
§	F.P.	2.10	105	105	†Do Cnv Prf	105		–	–	–	–
–	F.P.	8.02	100	90½	Piccadilly Growth	97		–	–	–	–
100	F.P.	–	103	92	REXAM B	96		1.8	0.8	2.1	76.1
§	F.P.	15.0	100	100	Singer&Fd AIM VCT	100		–	–	–	–
–	F.P.	2.51	85	78	Villington	77½		R8.0	2.7	7.7	3.2
–	F.P.	–	16½	5	Xenova Warrants	16½	+3	–	–	–	–
–	F.P.	24.9	90½	87½	Yeoman II IT Inc	90	+½	¶9.8	–	10.9	–
–	F.P.	9.91	8	5½	Do Cap	6½	–¾	–	–	–	–
–	F.P.	29.3	110	102	Do Zero Dvl Prf	110	+2¼	–	–	–	–
–	F.P.	–	97	95	Do Equity Units	96		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	Low	Stock	Closing price p	+or-
875	Nil	26/1	212pm	190pm	EMAP	210pm	+6
9	Nil	25/1	5½pm	1½pm	Recognition Sys	5½pm	+¼
15	Nil	20/1	1¼pm	½pm	SKD Media	1¼pm	

pm premium.

FTSE GOLD MINES INDEX

	Jan 8	% chg since 31/12/98	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	Low
Gold Mines Index (26)	1040.88	11.4	34.44	100.00	1.76	1045.93	1381.87	701.58
■ Regional Indices								
Africa (6)	1120.11	12.9	9.15	26.57	3.58	1131.13	1488.04	765.63
Australasia (9)	1240.19	8.3	4.85	14.10	2.45	1249.52	1600.53	815.95
Americas (11)	987.23	12.0	20.43	59.33	0.76	989.27	1317.41	647.68

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STOCK INDICES

	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	6147.2	6101.2	6148.8	5958.2	5879.4	6148.8	5879.4	6179.0	986.9
FTSE 250	4976.4	4946.7	4944.4	4970.2	4851.0	4976.4	4851.0	5995.6	1379.4
FTSE 250 ex IT	4973.4	4947.7	4939.8	4970.3	4853.4	4973.4	4853.4	5930.0	1378.3
FTSE 350	2888.7	2867.8	2866.5	2803.9	2770.8	2888.7	2770.8	3546.4	664.5
FTSE SmallCap	2133.75	2116.80	2109.96	2088.73	2082.75	2133.75	2082.75	2868.09	1363.79
FTSE SmallCap ex IT	2065.64	2072.48	2060.93	2044.48	2039.63	2065.64	2039.63	6554.10	1363.79
FTSE All-Share	2784.69	2794.57	2781.31	2784.09	2673.18	2784.69	2673.18	[illegible]	61.92

	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1177.83	1170.21	1166.12	1157.13	1152.50	1177.83	1152.50	1517.11	51.14
FTSE Eurotop 100	2909.02	2894.27	2924.12	2858.54	2804.15	2924.12	2804.15	3066.81	2044.47
FTSE Eurotop 300	1253.32	1246.39	1261.32	1231.20	1214.04	1261.32	1214.04	1327.88	874.05
FT 30	3693.1	3632.6	3669.6	3585.4	3600.2	3669.6	3600.2	3994.0	49.40
FT Govt Securities	116.48	116.37	116.15	116.25	116.45	116.48	116.15	141.84	49.18
FT Fixed Interest	157.54	157.58	157.58	157.73	157.84	157.84	157.54	157.84	50.53
FTSE Gold Mines	1040.88	1022.79	990.95	958.39	946.60	1040.88	946.60	2074.81	701.59

COMPANIES DIARY

Seasonal sales likely to push Intel ahead

Intel, the world's leading chipmaker, is tomorrow expected to report fourth-quarter earnings per share of $1.06, against 96 cents a year ago. This would be broadly in line with company projections and buoyed by strong seasonal sales of personal computers. Analysts will focus on the company's guidance for revenues and earnings for the first quarter and indications as to whether there has been any build-up in inventories on over-optimistic expectations of PC sales. *AFX-News*

Greg Hutchings is determined Tomkins will not be broken up

TODAY

● Tomkins, the UK diversified industrial group, reports interim results and any statement on prospects could produce some disappointment. Greg Hutchings, chairman, is believed to be adamant that he will not break up the company. Analysts will focus on its operating performance. John Nuttall at WestLB Panmure forecasts an underlying pre-tax figure up 7 per cent to £229.5m ($376m). There is concern that its US vehicle component suppliers business faces a margins erosion.

TUESDAY

● In what will be a bellwether result for other US online media companies, Yahoo! is expected to report fourth-quarter earnings per share of 16 cents, up from 4 cents a year ago. *AFX-News*

WEDNESDAY

● Strong demand for its K6 processors used in low-cost PCs is expected to help Advanced Micro Devices, the US chipmaker, report fourth-quarter earnings per share of 17 cents, compared with losses of 9 cents a share. Analysts expect AMD to report fourth-quarter unit shipments of 5m or more, driven by the growth of the sub-$1,000 PC market. *AFX-News*

● Strong sales of the iMac PC are set to give Apple Computer its most profitable quarter in two years, according to analysts. Apple is expected to report first-quarter earnings of 68 cents a share, against 33 cents a year earlier. The group said last week it had sold 800,000 iMacs between the launch in mid-August and the end of the year. *AFX-News*

● A mounting price war with Japan's Fuji is expected to take its toll on earnings at Eastman Kodak, the US imaging group, according to analysts. Kodak is expected to report fourth-quarter earnings of $1.15, up from 78 cents a year ago but lower than the third quarter's $1.21. *AFX-News*

● Dixons, the UK retailer may give an update on its internet service, Freeserve, along with its interim results. In November, just eight weeks after its launch Dixons said Freeserve had 475,000 customers, only 25,000 behind AOL, the UK market leader.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Freddie Mac(a,‡)	1bn	Oct 2008	5.125#	98.698	5.30	+62(4¾Nov08)	JP Morgan Securities
Hermes Europe Railtel(b1,‡)	200	Jan 2009	10⅜#	100.00	10.37	+573(Nov08)	DLJ Securities Corp
Export Import Securities(c)‡	330	Dec 2008	(c1,2)	100.00	–	–	Warburg Dillon Read
World Bank(d)	[illegible]	Jan [illegible]	6.00	100.00R	6.00	–	Morgan Stanley DW
World Bank	1bn	Jan 2009	5.25	99.749R	5.283	+52(4¼Nov08)	Goldman Sachs Intl
DSL Bank	500	Jan 2004	5.125	99.278R	5.283	+65(4¼Nov03)	Deutsche/Nomura Intl
LBW Capital Markets	500	Jan 2004	5.25	99.60R	5.343	+67(4¼Nov03)	ABN Amro/Salomon SB
Republic of Austria(f)	250	Oct 2009	5.25(a)	100.392R	5.20	+58(4¾Nov08)	Deutsche Bank
Deutsche Bank Finance(A)‡	250	Dec 2003	(A1)	99.769R	–	–	Deutsche Bank
Rabobank Nederland(e)	150	Dec 2001	5.00	100.051R	4.983	–	Warburg Dillon Read
Fannie Mae(j)★	4bn	Jan 2009	5.25#	99.431R	5.324	+56½(Nov08)	Goldman/Merrill/JPM
Ford Motor Credit Co(f)	2.8bn	Jan 2009	5.80#	99.662R	5.845	+106(Nov08)	Bear Stearns Intl
European Investment Bank	1bn	Jan 2004	5.00	99.641R	5.083	+43(4¼Nov03)	ABN Amro
LB Baden Wuerttemberg(l)	100	Jan 2009	6.00	100.80	–	–	Morgan Stanley DW
Daimler-Chrysler(UK)Hldgs(m)	100	Dec 2002	5.25	99.746R	5.321	+69(5⅝May01)	ABN Amro
Republic of the Philippines	500	Jan 2019	8.875#	98.448R	9.123	+475(Aug28)	JPM/MSDW/Warburg
Rep of the Philippines(y)	500	Apr 2008	9.875#	98.318R	10.07	+435(Nov08)	JPM/MSDW/Warburg
Dresdner Finance	500	Jan 2004	5.50	99.835R	5.538	+81(4¼Nov03)	B Stearns/Dresdner KB
KfW International Finance	500	Jan 2002	5.00	99.896R	5.042	+33(4⅝Dec02)	CSFB/Paribas
Bank of Nova Scotia‡	400	Jan 2004	(z)	99.84	–	–	ABN Amro/Deutsche
Deutsche Bank Finance(A)‡	250	Dec 2003	(A1)	99.789R	–	–	Deutsche Bank
Bank of Western Australia‡	250	Jan 2002	(B)	99.93R	–	–	Merrill/Warburg DR
BNG	200	Jan 2002	5.00	99.948R	5.019	+37(5⅝May01)	Dresdner KB
KfW International Finance(l)	250	Jan 2000	zero	95.384	4.826	–	Nomura International
GMAC	1bn	Jan 2009	5.85#	99.909R	5.863	+118(Nov08)	JP Morgan/M Stanley
GMAC	1bn	Jan 2002	5.50#	99.793R	5.578	+84(5¼Jan02)	JP Morgan/M Stanley
World Bank(F)	1bn	Dec 2001	4.875	99.765R	4.961	+30(5⅝May01)	ABN/CSFB/Nomura
Crédit Local de France	750	Jan 2009	5.50	99.55R	5.560	+72(4¼Nov08)	Paribas
National Bank of Canada‡	500	Jan 2004	(G)	99.98	–	–	Barclays Capital
CIBC‡	500	Jul 2009	(H)	99.945R	–	–	CIBC/CSFB
European Inv'ment Bank(J)	250	May 2009	5.375	100.96	5.242	+45(4¼Nov08)	Morgan Stanley DW
GECC	250	Feb 2003	5.00(f)	99.656R	5.097	–	Warburg Dillon Read
Kingdom of Denmark	100	Jan 2002	3.875	98.93R	5.002	+35(4⅝Dec00)	Commerzbank
BNG	750	Jan 2004	5.25	99.924R	5.268	+58(5¼Nov03)	ABN Amro/Salomon SB
Marks & Spencer Finance plc	400	Feb 2004	5.00(k)	99.161R	5.195	+52(4¼Nov03)	Warburg Dillon Read
CCDO‡	390	Jan 2004	(U)	99.93	–	–	ABN Amro/Deutsche
World Bank(V)	125	Feb 2009	(V1)	99.95R	–	–	Sanwa International
Rabobank Nederland(W)	50	Dec 2001	5.00	99.81	5.068	–	Warburg Dillon Read
EUROS(e)							
Hermes Europe Railtel(b2,‡,E)	85	Jan 2009	10⅜#	100.00	10.57	+661(7¾-08)	DLJ Securities Corp
Allgemeine Hypo(p)	2.5bn	Jan 2009	4.00	98.84R	4.144	+39½(Jul08)	[illegible]
DSL Bank(q)	500	Mar 2004	3⅝(q)	100.64R	3.489	+17(l)	ABN/Deutsche/Nomura
World Bank(q)‡	150	Jan 2019	(q1)	99.75R	–	–	Sanwa International
Vivendi(v)§	1.7bn	Jan 2004	1.25	100.00	–	–	SG
Deutsche Telekom(s)	977.4	May 2008	5.25	107.00R	–	–	
GECC(B)	400	Apr 2004	3¾(s)	99.68R	4.321	+60(4¼Jan05)	Deutsche/Dresdner KB
Deutsche Finance Nethls(S)	2bn	Jul 2009	4.25(s)	99.88R	3.445	+125½(Apr04)	Paribas
Dresdner Finance	1bn	Jan 2007	4.00	99.23R	4.291	+59(3¾Jan09)	Deutsche Bank
Rabobank Nederland	250	Jun 2002	2⅞(t)	98.20R	4.115	+36(5¾Jan07)	Dresdner KB
World Bank★	70	Jan 2003	2.70#	99.90	3.19	flat(4½May02)	CSFB
Rheinische Hypo(t)	2bn	Jan 2005	3.25	97.87R	–	–	Nomura International
European Inv'ment Bank(K,E)	1bn	Apr 2009	4.00(u)	100.969R	3.652	+14(7⅞Jan05)	ABN/Commerz/MSDW
Council of Europe	500	Jan 2011	4.00	99.439R	3.88	+8(4¾Apr05)	Paribas
Finance for Danish Industry‡	500	Feb 2005	(L)	99.90R	4.080	+36(3¼Jan09)	Paribas/ING
Electricité de France(M1,E)	328.17	Oct 2008	3.75	101.33R	3.438	+10(l)	ABN/Paribas/Salomon
Electricité de France(M2,E)	83.348	Jan 2009	5.00	107.57R	4.051	+26(l)	CDC Marches/Deutsche
SGZ Bank Ireland‡	150	Jan 2004	(N)	99.99	–	–	CDC Marches/Deutsche
Council of Europe‡	100	Feb 2019	(P)	101.25	–	–	HSBC Trinkaus
Hellenic Republic‡	1.25bn	Jan 2004	(X)	99.973R	–	–	Lehman Brothers
							DrKB/Lehman/Salomon
SWISS FRANCS							
European Investment Bank	1bn	Jan 2014	3.50	100.65	–	–	Warburg Dillon Read
Bayerische Landesbank	1bn	Feb 2009	3.125	102.15	–	–	CSFB
Electricité de France	280	Feb 2005	2.25	100.60	–	–	Deutsche Bank(Switz)
Vorarlberger Landes-& Hypo	150	Feb 2005	2.50	101.10	–	–	del Gottardo/Inv East
BNG(C)	250	Dec 2003	2.00	100.70	–	–	Warburg Dillon Read
Halifax(D)	100	Dec 2004	2.25	100.60	–	–	Deutsche Bank(Switz)
John Hancock Global Fdg	250	Feb 2004	2.50	101.30	–	–	Warburg Dillon Read
STERLING							
GECC	200	Jan 2004	5.125	99.622	5.213	+63(6¼Nov04)	Salomon Smith Barney
World Bank(l)	100	Dec 2001	5.375	100.722	5.077	–	Warburg Dillon Read
Abbey Natl Trsy Services	250	Jan 2004	5.25	99.616R	5.340	+90(6¼Nov04)	Salomon Smith Barney
Inter-American Dev Bank(Q)	100	Dec 2009	5.750	107.266	4.871	+65(5¾Dec09)	Dresdner KB
Alliance & Leicester(R)‡	75	Dec 2002	(R1)	99.865	–	–	Tokyo-Mitsubishi Intl
Slough Estates	150	Sep 2015	6.25	98.87R	6.366	+190(8%-2015)	Barclays Capital
PESETAS							
Swedish Export Credit(l)	11bn	Feb 2001	3.06	100.00	–	–	Caja Madrid
Landesbank Sachsen(g)	10bn	Jan 2002	(g1)	100.00	–	–	Banco Central Hispano
AUSTRALIAN DOLLARS							
BNG	100	Jan 2009	5.00	98.785	–	–	RBC DS Global Markets
Rabobank Australia	100	Feb 2004	5.00	101.037	–	–	TD Securities
New Sth Wales Trsy Corp	100	Feb 2009	5.00	98.39	–	–	TD Securities
CANADIAN DOLLARS							
Bayerische Landesbank	100	Feb 2004	4.75	99.202R	4.913	+15(Sep03)	RBC DS Global Markets
Rabobank Nederland	100	Feb 2002	4.75	99.8495R	4.805	+6(5½Sep02)	TD Securities
GE Capital Canada	100	Feb 2004	5.00(l)	99.85R	5.035	+22(5¼Sep03)	TD Securities
Province of Ontario	250	Jan 2009	5.00	98.055R	5.255	+27(6%Jun08)	RBC DS Global Markets
NEW ZEALAND DOLLARS							
Bayerische HypoVereinsbank	100	Jan 2004	6.00	100.50	–	–	RBC DS Global Markets
European Investment Bank	100	Feb 2004	6.00	101.652	–	–	TD Securities
SOUTH AFRICAN RAND							
World Bank	300	Jan 2002	16.00	99.625R	16.17	–	TD Securities
World bank	150	Jan 2009	15.25	97.30R	15.80	–	TD Securities
EBRD	150	Jan 2002	16.25	100.95	–	–	RBC DS Global Markets
GREEK DRACHMA							
International Finance Corp	35bn	Jan 2002	6.50	101.22	–	–	RBC DS Global Markets
GECC	20bn	Jan 2002	6.50	101.11	–	–	RBC DS Global Markets
DePfa Bank	15bn	Jan 2002	6.50	99.40R	6.724	–	TD Securities
World Bank	40bn	Feb 2002	6.25	99.6425R	6.385	–	Alpha/DG Bk/TD Secs
NORWEGIAN KRONOR							
Westland Utrecht Hypo	400	Dec 2008	6.06	100.00	–	–	WestLB
CZECH KORUNA							
World Bank	2bn	Jan 2000	8.125	100.06R	8.125	–	ING Barings
DANISH KRONER							
BBL International Finance	400	Feb 2009	5.00	102.50	–	–	ING Barings-BBL
POLISH ZLOTYS							
EBRD(x)	200	Jan 2001	10.50	99.65R	–	–	JP Morgan/TD Secs

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with $5bn. Plus 76 days accrued. b1) Callable from 15/1/03 at 105.188% falling to par. b2) Callable from 15/1/04 at 105.188% falling to par. c) Securitises portfolio of promissory notes originated by Kedm. c1) 6-mth Libor +150bp. c2) Mezzanine tranche of $35m pays 6-mth Libor +185bp. d) $100m launched on 17/12/98 was increased to $150m. e) Spread relates to German [illegible] unless stated. f) Redeemed at par + 7.5 x (0.61% - (30yr bund yield - 30yr gilt yield)). g) Callable on 21/1/00 at par. g1) 3.3% to 21/1/00, then 3.43%. h) Fungible with $500m. Plus 14 days accrued. i) Over interpolated yield. j) Fungible with $500m. Plus 34 days accrued. k) 3-mth Libor +6¼bp. m) Fungible with $350m. Plus 30 days accrued. n) Joint books: ABN, BayernLB, Commerz, CBC, Deutsche, DG, Dresdner, HypoVB, NordLB, WestLB. o) Fungible with €1bn. Plus 35 days accrued. p) Oeffentliche Pfandbrief. q) Callable annually from 25/1/09 at par. q1) 10% in yr 1, 5% in yr 2, 4¼% in yrs 3-4, 4% in yrs 5-10, then 14½% - 2 x 12-mth Euribor. r) Fungible with £150m. Plus 38 days accrued. s) Short 1st coupon. t) Callable annually from 15/1/00 at par. u) Fungible with $200m. Plus 31 days accrued. v) Each €262 bond convertible into Vivendi shares on 1:1 basis. Callable from 1/1/02 subject to 115% hurdle at par. w) Fungible with €1.0225bn. Plus 237 days accrued. x) All payments in £. y) Fungible with $500m. Plus 90 days accrued. z) 3-mth Libor +10bp. A) Fungible with $750m. Plus 34 days accrued. A1) 3-mth Libor +6¼bp. B) 3-mth Libor +15bp. C) Fungible with SFr250m. Plus 59 days accrued. D) Fungible with SFr100m. Plus 55 days accrued. E) Spread relates to French govt bonds. F) Fungible with $1bn. Plus 41 days accrued. G) 3-mth Libor +15bp. H) 3-mth Libor flat. J) Fungible with $1.5bn. Plus 118 days accrued. K) Fungible with €1bn. Plus 12 days accrued. L) 3-mth Euribor +12½bp. M1) Fungible with €1.172bn. Plus 96 days accrued. M2) Fungible with €1.717bn. Plus 188 days accrued. N) 6-mth Euribor +10bp. P) 13% in yr 1, 6% in yr 2, 4% in yrs 3-7 then 9% - 12-mth Libor. Q) Fungible with £100m. Plus 68 days accrued. R) Fungible with £100m. Plus 38 days accrued. S) Includes €500m increase at 99.873R, +57bp. T) Includes $500m increase (plus 3 days accrued) to be priced +104-105bp. U) 3-mth Libor +10bp. V) Callable annually from 2/2/00 at par. V1) 6¼% in yr 1 then 6%. W) Fungible with $500m. Plus 30 days accrued. X) 3-mth Euribor +15bp. Note: Yields are calculated on ISMA basis.

هكذا من الاصل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbeycrest 1.6p
Apollo Metals 8p Cv Prf 4p
Bank of Ireland IR9.2p
Bridport 3p
British Steel 3p
BTM Finance 8¾% Bds 2001 $887.500
Evans of Leeds 1.28p
Granada 11¼% Bds 2019 £1,125
Higher Education Sec Invs Series1 FRN 2028 £557.99
Do Class A2 FRN 2028 £630.08
Do Class A3 FRN 2028 £644.63
Do Class A4 FRN 2028 £707.75
Do Class B1 FRN £751.59
Do Class B2 FRN £751.59
Ireland 8¼% Bds 2004 IR4.28493
Japan Airlines 6.9% Bds 2001 Y690000
Do 6.9% Bds 2002 Y690000
Kensington & Chelsea 11.15% 2006 £5.575
Kobe Steel 6.9% Bds 2001 Y690000
Leo 2 Class B FRN 2032 £238.56
Lothbury No1 Class A2 FRN 2031 £1894.20
Do Class B FRN 2031 £2106.71
MMT Computing 10.5p
Morris (Pb) $0.44
Prowting 2.3p
RAMS Mtg Class A1 FRN 2032 $1544.88
Do Class A2 FRN 2032 $1556.21
Do Class B FRN 2032 $1627.04
Rolls-Royce 2.45p
Do ADR $0.2506
600 Group 1.5p
Transtec 0.95p
Vibroplant 1.4p
Whitbread 7.28p

■ TOMORROW
Abbey Natl Treasury FRN 2010 Lire650000
Booker ADR $0.3493
Conversion 9% 2011 £4.50
Do 9¼% 2001 £4.75
Diploma 10p
Fluor $0.20
Framlington Inc & Capital Inc 1p
GWR 1.6p
Perpetual 38p
Secs Tst of Scotland Inc 1.17p
Sterling Publsg 0.2p
Tongaat-Hulett R1.60
Trinity Care 1.7p
Wren 1p

■ WED JANUARY 13
Alps Electric 7% Bds 1999 Y700000
Do 7% Bds 2000 Y700000
City Merchants High Yield Tst 2.75p
Jos 3.25p
Petrofina Bfr460
Ransom (Wm) 0.89p
Sainsbury (J) 4.02p
Vosper Thornycroft 9p

■ THURS JANUARY 14
Caledonia Invs 7p
City of London PR 1.92p
Close Bros Protected VCT 1.31p
Close Bros Vent Cap 2.75p
Do C 2.5p
Funding 3½% 1999/04 £1.75
Highland Distillers 7.15p
Hino Motors 6.9% Bds 1999 Y690000
Jupiter Geared Capital & Inc 4.85p
Kobe Steel 5⅞% Bds 2003 Y575000
London Merchant Secs 0.9p
M & G Group 27.5p
NatWest Enterprise Trust 8p
NEC 6.8% Bds 2000 Y680000
People's Construction Bank of China FRN 2000 $328.05
Ricoh 7% Bds 2000 Y700000
Standard Chrtd FRN Series 4 $301.56
Toshiba 6⅞% Bds 1999 Y675000
Treasury 13% 2000 £6.50
Trifast 4.17p

■ FRI JANUARY 15
Aberdeen Conv Inc 1.8p
Aberdeen Prfd Inc 4p
Agricultural Credit Corpn 9% 2001 IR£4.50
Albemarle Prop Invs 10¼% 1st Mtg Deb 2012 £5.125
Banner Chemicals 0.5p
Barclays Bank Prop Index Certs 1998 £1.91
Do 12% Ln 2010 £6
BCE $0.34
BPS Inc & Gwth 2.5p
Do Inc 2.5p
Brockhampton 1.7p
Do A N/V 1.7p
BSS 7.5p
Chester Asset Rec Dealings Nol FRN 2000 £1917.35
Do No4 FRN 2004 £185.32
Churchbury Ests 4.2% Prf 2.1p
City Mtg Rec 3 FRN 2023 £28.82
Do Class B FRN 2023 £86.29
Do Rec 4 Class A FRN 2028 £36.40
Do Class B FRN 2028 £66.39
Do Rec 5 FRN 2032 £8.74
Do Class B FRN 2032 £76.91
Do Rec 6 FRN 2029 £35.43
Do Class B FRN 2029 £86.29
Clyde Blowers 5.25p
Compco 1.35p
Fuller Smith & Turner A 3.82p
Glenmorangie A 3.5p
Do B 1.75p
Govett Strategic Inv 10⅞% 2016 £5.1875
Helical Bar 6¼% Prf 2012 2.625p
Inco 15⅞% Ln 2006 £78.75
Ireland 7¾% 1998 IR£3.75
Do 9% Bnd 2001 IR£4.50
Irish Permanent 8⅝% Bds 2004 IR£4.28493
Johnson Fry Utilities 1.32p
Marks & Spencer 3.7p
Motorola Inc $0.12
Murray Intl 3.9% Prf 1.95p
Northern Investors 2.5p
Nth Surrey Water 4% Db £2
Do 4¼% Db £2.125
Do 5¼% Db £2.625
Occidental Petroleum $0.25
Perkins Foods B 4.159p
Do 8p Cv Prf 4p
Quaker Oats $0.285
Rank Finance 6⅝% Nts 2008 $31.875
Do 7⅛% Nts 2018 $35.625
RPC 1.65p
St Paul Cos $0.25
Smith (J) Estates 2.1p
SONAR 2 Class A FRN 2022 £153.20
Do Class B FRN 2022 £211.03
Sweden 11% Ln 2012 £550
Symonds 0.6p
Treasury 9½% 1999 £4.75
Victorian Public Authorities Finance Agency 8¼% Bds 2002 $412.50
Wellington 5.735% Class A FRN 2029 £84.1875
Do 7.335% Class B FRN 2029 £91.6875
Do 11% Class C FRN 2029 £137.50
Whitehead Mann 3.6p
Witan 3.4% Prf 1.7p

■ SAT JANUARY 16
Treasury 8½% 2007 £4.25

■ SUN JANUARY 17
Index-Linked 2½% £2.0925
Yorkshire Electricity 9¼% Bds 2020 9.25p

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Denmans Electrical, Fyffes, Hacas, PWS Hldgs, RCO Hldgs
Interims:
Tomkins, Triad

■ TOMORROW
COMPANY MEETINGS:
Allied Domecq, Hotel Inter-Continental, 1, Hamilton Place, Hyde Park Corner, W1, 11.30
Sanderson, Swallow Hotel, West Bawtry Road, Rotherham, South Yorkshire, 12.00
BOARD MEETINGS:
Final:
Bullough
Interims:
Bespak, Savills, Wyko

■ WED JANUARY 13
COMPANY MEETINGS:
Fenner, 20, Farringdon Road, EC1, 10.30
Gleeson (MJ), Haredon House, London Road, North Cheam, Surrey, 12.00
M & G Group, Painters Hall, Little Trinity Lane, EC4, 12.00
Young (H), Dominion House, Kennetside, Newbury, Berks, 12.00
BOARD MEETINGS:
Interims:
Dixons, FI Grp, Helton, Vega

■ THURS JANUARY 14
COMPANY MEETINGS:
Character Group, Citigate Dewe Rogerson, 26, Finsbury Square, EC2, 11.00
Royal Bank of Scotland, Edinburgh Intl Conference Centre, The Exchange, Morrison Street, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Greenwich Res
ML Laboratories
Interim:
Stanley Leisure

■ FRIDAY JANUARY 15
COMPANY MEETINGS:
Advanced Power Compts, Bridgewood Manor Hotel, Bridgewood Roundabout, Rochester, Kent, 12.00
Bellway, Copthorne Hotel, The Close, Quayside, Newcastle Upon Tyne, 12.00
BOC, Dorchester, Park Lane, W1, 11.00

Company meetings are agms unless otherwise stated.
Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive as companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES, VENUES AND COURSES

VENUES

CONFERENCES

Conferences, Venues & Courses

JANUARY 27
East Africa Seminar
This one-day FT seminar brings together senior ministers from the three East African countries and representatives from the international business community to examine recent progress in the East African co-operation process.
Contact: Catherine MacSweeney
FT Conferences
Tel: +44 171 873 3162
Fax: +44 171 873 3067
e-mail: catherine.macsweeney@ft.com
LONDON

JANUARY 28
SECOND AIRCRAFT LEASING CONFERENCE
An opportunity for all those involved with the world of aircraft leasing to learn about important issues associated with the business.
Contact:
Sophie Chippindale
Tel: +44 171 931 7072
Fax: +44 171 931 7186
Email: confs@aviation-industry.com
LONDON

FEBRUARY 10
Tough Going - bullying, harassment and conflict in the workplace
How well do you cope when the going gets tough? Examine constructive approaches to bullying, harassment and conflict at this Industrial Society and Conflict Management Plus conference.
Contact: Conflict Management Plus
Tel : 01763 849600 / 1
Fax: 01763 849602
LONDON

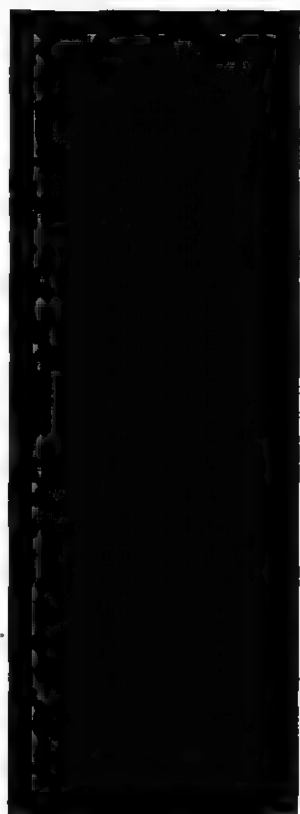
FEBRUARY 21 - 23
Net Effects
Worldwide Internet Conference and Exhibition featuring • Latest Developments on Research, Marketing and Advertising on the Internet • Pre-Conference Workshop • Exhibition • Commercial Presentations. Key speaker: Steve Markovitz, CEO, IntelliQuest, USA.
For programme/registration contact:
ESOMAR (European Society for Opinion and Marketing Research)
Tel: +31-20-6642141
Fax: +31-20-6642922
Email: conference@esomar.nl
Website: www.esomar.nl
Hilton on Park Lane, LONDON

FEBRUARY 23
Business with the New Italy
Cityforum and the Italian Chamber of Commerce bring together an exceptional panel including The Minister for Foreign Trade, The Italian Treasury, Italian industrialists and *bankers, to examine prospects for* business with the New Italy. Sponsors include Freshfields and Il Sole 24 Ore.
Contact: Cityforum Ltd
Tel: 01225 466744
Fax: 01225 443903
e-mail: 106703.2270@compuserve.com
LONDON

MARCH 3 & 4
FT New Media Conference
In the aftermath of the launch of digital television in the UK, the Financial Times New Media conference will examine the state of play in the digital market. Distinguished Speakers include: Mr Ian West, Sky Entertainment; Mr Tony Illsley, Telewest Communications plc; Mr Adam Singer, Flextech plc; Mr David Docherty, BBC and Mr Stephen Grabiner, Ondigital.
Contact: Catherine MacSweeney
FT Conferences
Tel: (+44) 171 873 3162
Fax: (+44) 171 873 3067
Email: catherine.macsweeney@FT.com
LONDON

HEALTH EFFECTS OF VEHICLE EMISSIONS
This International Conference will identify and analyse key areas of concern and comprehensively examine how current legislation, government policies and innovations can provide solutions. The event will benefit the attendance of NGO's, Medical Practitioners, Health Professionals, Academics, Environmental Specialists, Local Authorities and Government bodies, together with *Oil Companies, Air Quality* Consultants, Automobile and Industrial concerns.
For further details please contact:
Joanne Duncan
Energy Logistics International Ltd
Tel: +44 (0)1628 671717
Fax: +44 (0)1628 671720
Email: joanne@energylogistics.co.uk
Venue: London

International Hotel Investment Forum. A Focus on Europe
A powerful and thought-provoking conference on today's complex and rapidly changing European hotel markets will provide a timely forum to address issues important to the European and international hotel investment community.
Conference Chairman - Sir Ian Prosser, Chief Executive of Bass PLC
Contact Tess Pearson, Advanstar Communications
Tel: 01244 378888
Fax: 01244 370011
INTERNATIONAL HOTEL INVESTMENT FORUM
Hotel Inter-Continental Berlin, Germany



The Anglo-Spanish Group has pleasure in inviting you to its annual seminar on

Energy Market Forecast in Spain, Portugal, Latin America and Philippines

Guest speaker

Mr Josep Piqué
Minister of Industry and Energy (Spain)

and the Chief Executives of Endesa, Iberdrola, *Unión Fenosa, Hidrocantábrico, Gas Natural,* Transgas, Electricidade de Portugal and National Commission of the Electric Network of Spain

Thursday 11th February 1999 at 9:00 am

In Collaboration with Expansión

For information and registration please email
Mr Rob Holmes at seminars@dentonhall.com

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MARCH 18 & 19
FT European Pensions
Distinguished speakers include: Professor Mario Monti, Member of the European Commission; Mr Kees van Rees, Managing Director Shell Pensions Fund, Chairman, European Federation of Retirement Provision; Mr Martin Jack, Director of IBM Retirement Funds, EMEA, IBM UK Ltd and Mr Bruce Garnet.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
BRUSSELS

APRIL 22 & 23
FT World Pharmaceuticals
The pharmaceuticals industry now faces unprecedented challenges as we enter the millenium. This FT conference will reflect on the industry's successes and investigate the new challenges being set by its customers and sponsors, considering how it will need to shape itself for the first decade of the 21st Century.
Contact: Joanna Edwards
Tel: 0171 873 3374
Fax: 0171 873 3067
Email: joanna.edwards@ft.com
www.ftconferences.com
LONDON

MAY 14
FT London Motor Conference
Productivity and competitiveness in the UK motor industry and the impact of "grey imports" on the new and used car market are among key issues to be discussed. Speakers include: Professor *Garel Rhys OBE, Cardiff* Business School, Mr Graham Broome, SMMT Industry Forum and Mr Michael Woodward, KPMG Management Consulting.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
LONDON

Conferences, Venues & Courses

COURSES

JANUARY 27 - 29
birchin - partners in financial knowledge
Facility Documentation
• Types of Borrower and their legal identity • Facility Letters and Covenants, Letters of Comfort • Lending, Guarantee and Security Documentation, Registration Procedures • Fixed and Floating Charges, Priorities • Legal Requirements and *Obligations*, Regulatory Environment • Common Mistakes and Problems, Dealing with Defaults
3 Days
Contact: Birchin Training & Consulting
1-6 Lombard St, EC3V 9AA, London
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: birchin@birchin.com
LONDON

FEBRUARY 1 - 3
birchin - partners in financial knowledge
Understanding Derivatives
• Background and Development of Derivatives • Markets - Financial Instruments and Credit Risk • OTC v Exchange Traded Instruments • Interest Rate Derivatives, Financial Futures, *FRAs and Swaps, Swaptions* • Currency Derivatives, 'Exotic' and Standard Currency Option, Currency Swaps • Equity and Commodity Derivatives
3 Days
Contact: Birchin Training & Consulting
1-6 Lombard St, EC3V 9AA, London
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: birchin@birchin.com
LONDON

FEBRUARY 8 - 12
birchin - partners in financial knowledge
Corporate Credit Analysis Skills - Level II
• Sources of Information including Credit Rating • Non-financial Factors • Management Competence • Interpretation of Financial Information • Cashflow Modelling • Accounting Concepts and *Standards • Creative Accounting* • Contingent Liabilities • Corporate Failure and Recovery Strategies
5 Days
Contact: Birchin Training & Consulting
1-6 Lombard St, EC3V 9AA, London
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: birchin@birchin.com
LONDON

FEBRUARY 8 - 12
Knowledge Management Series:
Day 1: Practical KM Methods: Introductory Workshop; Day 2-3: The Practitioner's Perspective; Day 4: building the KM Infrastructure; Day 5: A Practitioner's Workshop focusing on *the practice of KM rather than the hype.* These events are structured so as to provide the complete in depth KM experience illustrated by case studies and expert presentations.
UNICOM
Tel: 01895 256484
Fax: 01895 813095
info@unicom.co.uk
LONDON

FEBRUARY 9 - 12
E-Business Series:
Cutting edge presentations by DTI, Knowledge Lab NCR PricewaterhouseCoopers, IBM, Zergo, EEMA, *Barclaycard, Intelligent* Environment covering issues on: Preparing the organisation for e-business; Law, Security and Financial Transactions, Marketing, Sales and Virtual Communities, Retail and Supply Chain Applications of E-Commerce and Case Studies.
UNICOM
Tel: 01895 256484
Fax: 01895 813095
info@unicom.co.uk
LONDON

APRIL 19 - JUNE 7
FT City Course
The FT-City Course, which takes place over 8 weekly afternoon sessions, provides an excellent introduction to the City of London as a major financial and trading centre.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
LONDON

Conferences, Venues & Courses

LANGUAGE COURSES

Euro's second test

By Alan Beattie

With a jittery first week of trading failing to calm market nerves, the euro should continue to be the focus of trading this week.

Problems with the clearing system last week meant liquidity was slow to build in the markets and analysts say few participants with strong bullish views on the euro have put their money where their mouths are.

There will be little important pieces of euro-zone data from which the markets can build positions. French consumer price inflation figures on Tuesday are expected to show a further fall towards zero on the annual measure.

The final outturn for German consumer price inflation will also be released this week. If it is in line with the preliminary western Germany inflation data already published, the annual rate for the whole country should drop to 0.7 per cent.

Although Wim Duisenberg has given the impression that he does not want the European Central Bank (ECB) to change interest rates in a hurry, these data will certainly provide a justification for any nascent doves on the ECB Council wanting to start arguing for a reduction.

The future of UK repo rates may also become clearer on Wednesday when what remains of the labour market data for the UK are released.

With the previously all-important average earnings index still suspended, the Bank of England has shifted its attention to the volume indicators of labour market activity, notably the unemployment rate.

The monetary policy committee (MPC) justified its decision to cut UK interest rates by 25 basis points last week, partly on the basis that the labour market had stopped tightening.

A rapid rise in the unemployment count on Wednesday could hasten further cuts in the UK's repo rate.

POUND SPOT FORWARD AGAINST THE POUND

Jan 8

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 8

[illegible]

WORLD INTEREST RATES

MONEY RATES

Jan 8	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro-zone	3¼	3⅛	3⅛	3⅛	3⅛	–	3.00	3.00
Switzerland	[illegible]	1½	1¼	1⅜	1⅜	–	1.00	–
US	4¾	4[illegible]	4[illegible]	4[illegible]	[illegible]	–	4.50	–
Japan	¼	⅛	¼	¼	[illegible]	–	0.50	–

[illegible]

INTERNATIONAL CURRENCY RATES

Jan 8

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

POUND IN NEW YORK

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets in 1999 pages in today's edition.

OTHER CURRENCIES

[illegible]

BANK RETURN

The Bank Return table can be found on page 33 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE D-MARK/$ OPTIONS

[illegible]

BENCHMARK GOVERNMENT BONDS

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

هكذا من الأصل

EURO PRICES

EQUITIES

Bourses greet euro launch with surge

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Investors in European equity markets will be hoping that the new year rally can continue at the pace it displayed in the first few days of 1999, as the euro began its official life.

The Paris bourse jumped 7.6 per cent on the week, Frankfurt 7.2 per cent and Zurich (not part of the euro-zone, of course) 6.6 per cent.

Takeover fever in the auto and telecoms sectors played a large part in the rally although there was little concrete news, apart from reports that Volvo had hired investment bankers to undertake the sale of its car division. LVMH also picked up a stake in fellow luxury goods maker Gucci.

There were signs that institutions were pouring their cash, hoarded during the autumn market turmoil and the cautious pre-euro Christmas period, into equities, and particularly blue chips.

The latest broker to come out with its list of European stocks for 1999 was BT Alex Brown, which favoured BG, BT, Canal Plus, Endesa, Glaxo, Mannesmann, Nokia, Novartis, Pearson, Powergen, Rhône-Poulenc, Richemont, Telecom Italia, UBS and VNU.

The main economic news of the week will come from Germany where business surveys have been very gloomy in recent months.

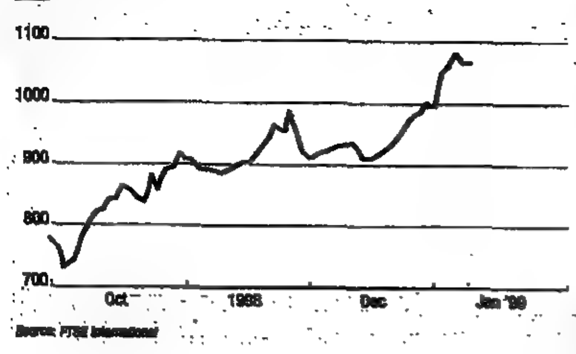
Figures for industrial output in November are expected to show a 0.5 per cent month-on-month drop, according to the latest estimate from Standard & Poor's MMS. But the estimate for overall GDP growth in 1998, due to be released on Thursday, should still show a 2.8 per cent annual rise.

Some analysts think European growth will slow in 1999 in the face of weak export markets round the world. That may prompt rate cuts from the European Central Bank.

Meanwhile, a survey of equity analysts by Deloitte & Touche Consulting group found that German companies were seen as best placed to benefit from the euro, followed by groups in France, Italy and Spain. UK companies ranked only ninth.

The survey also found that the majority of analysts polled thought the euro would increase cross-border competition, create a more stable business environment and reduce the cost of capital.

FTSE Eboc 100



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Euribor points of 100%

[illegible]

THREE MONTH EURO OPTIONS (LIFFE) Euribor points of 100%

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

[illegible]

OTHER INDICES

[illegible]

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

[illegible]

FTSE EUROTOP 300

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

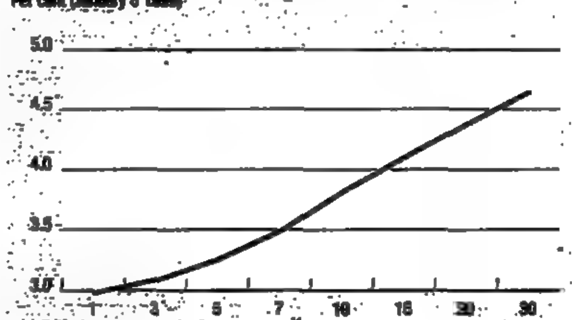
BONDS

INTEREST RATE SWAPS

[illegible]

Euro bond yield curve

Per cent (January 8 1999)



Source: Interactive Data/FT Information

EURO-ZONE BONDS

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM - Continued

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

AIM

Alternative Investment Market

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

FT Share Service

[illegible]

FT Free Annual Reports Club

[illegible]

FT Cityline

[illegible]

The FT web site

[illegible]

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Aberdeen Prolific International Fund Plc

FT Fund Managers (Ireland) Ltd (u)

Global Asset Management (GAM)

Herald Investment Fund Plc

Investec Guinness Flight Fd (Ireland) Ltd

AIM Global Management Company Limited

AIMS Management Limited

AON International Funds Plc

Abbey National Dublin Investment Fund Plc

Abbey National Dublin Investment Fd II Plc

Abbey National Dublin Investment Fund III Plc

HSBC Asset Management - Contd.

Hanson Ireland Ltd

J. Rothschild International Assce plc

SEC Traded Endowment Fund Plc

Christows Investments Plc

Lazard Investment Funds Ltd

IRELAND (REGULATED)(**)

IRELAND (FSA RECOGNISED)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Gartmore Fund Managers Intl Ltd (z)

Lloyds Bank (CI) U/T Mgrs.

PO Box 311, St Helier, Jersey

Lloyds TSB Fund Managers (CI) Ltd

PO Box 538, St Helier, Jersey

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey

Newton Fund Mgrs (CI) Ltd (1200)F

PO Box 189, St Helier, Jersey

JERSEY (REGULATED)(**)

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

SG Hambros Fund Managers (Jersey) Ltd

Standard Bank Fund Mgmt (Jersey) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (FSA RECOGNISED)

Fidelity Funds (u)

Fleming Group (u)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

	Selling Price	Buying Price	Yield Gross	City-Line
Eagle Star Int'l Life				
Eagle Star Hse, Athol St, Douglas, IoM				01624 682288
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equitable Life (International)				
Albert Hs, 5th Ear Ge, St Peter Pt, Guy				01481 716021
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity Fund Managers				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurolife Assurance Group				
Friends Provident International				
Old Mutual International - Contd.				
Old Mutual International (Isle of Man) Ltd				
Victory Hse, Prospect Hill, Douglas, IoM				01624 682085
PanEuroLife société anonyme				
7, Rue de la Chapelle L-1325 Lux				00 352 456730
Premier Life				
Royal & Sun Alliance Int'l Financial Srvs				
Royal Skandia Life Assurance Ltd				
Scottish Mutual International Plc				
Scottish Provident Int'l Life Assc Ltd				
Scottish Widows International Ltd				
Sun Life International (IOM) Ltd				
Alpha Fund Management Ltd				
The American Trust Bank				
Acavis Capital Advisers LLC				
Acavis Clipper Ltd	$82.87		–	4710
Ardent Investment Management Limited				
Argent Fund Management Limited				
First Winchester Inv Ltd.	$2213.509		–	[illegible]
Arisaig Partners (BVI) Ltd				
Arisaig Asian Small Companies Fund NAV Jan 7	$8.97		–	[illegible]
Arisaig Latin American Recovery Fund NAV Jan 7	$11.47		–	[illegible]
Aristocrat Capital Management Ltd				
Aristocrat Endeavour Fd	$23.65		–	[illegible]
Arnhold and S. Bleichroeder, Inc				
Asia Debt Management Hong Kong Ltd				
Egerton European Dollar Fund Ltd				
NAV Dec 31	[illegible]		–	65477
Egerton European Equity Fund Ltd				
NAV Dec 31	Eur28.82		–	65478
Emerging Markets Management				
Endstone Trust SA				
The Enhanced Profit Fund Ltd				
NAV	21.0013		–	–
The Environmental Investment Co Ltd				
Erlangsson & Co Ltd				
Ermitage Group				
Global Asset Management - Contd.				

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	Yield Gross	City-Line
AIB Global Trading Investments Ltd				
AXA Investment Managers Hong Kong Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● MANAGED FUNDS NOTES

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 8 1999 US Dollar Index	%chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY JANUARY 7 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	209.40	5.1	189.25	147.51	206.72	219.97	1.8	3.33	212.13	190.65	149.03	209.31	223.19	219.96	163.86	198.23
Austria (21)	184.65	0.2	166.88	130.07	182.40	162.40	1.6	2.15	186.18	167.33	130.80	–	162.11	253.73	166.45	181.84
Belgium (22)	427.90	2.1	386.72	301.42	368.47	368.47	3.6	1.93	435.43	392.23	306.80	–	372.04	446.95	250.39	257.44
Brazil (32)	127.39	-4.2	115.13	89.73	126.97	283.72	-4.0	3.18	130.79	117.55	91.88	128.06	291.28	289.34	102.68	223.25
Canada (117)	214.06	7.4	193.46	150.79	213.37	234.69	5.8	1.67	212.81	191.26	149.50	209.98	233.04	248.78	159.94	206.79
Denmark (34)	499.92	0.0	451.82	352.16	498.30	438.24	1.3	1.80	507.89	456.46	356.81	501.15	440.54	537.33	420.12	457.25
Finland (29)	624.91	8.6	564.78	440.20	674.96	674.96	10.4	1.49	617.30	554.79	433.67	–	660.04	624.91	267.59	287.88
France (75)	345.81	5.7	312.54	243.60	308.00	308.00	7.4	2.04	348.40	313.12	244.76	–	307.18	354.45	225.24	233.01
Germany (55)	295.77	5.3	267.31	208.35	260.32	260.32	7.0	1.25	295.49	265.57	207.59	257.46	257.46	325.61	218.59	232.38
Greece (36)	386.74	11.2	349.53	272.43	385.49	774.87	11.0	1.09	388.53	349.19	272.96	383.38	774.48	388.53	211.47	–
Hong Kong, China (67)	326.55	6.2	295.13	230.03	325.49	324.85	6.2	3.77	326.78	293.69	229.57	322.44	325.05	362.55	196.64	304.84
Indonesia (26)	55.57	10.8	50.22	39.14	55.38	271.85	11.2	1.12	58.61	52.67	41.17	57.83	284.92	64.52	19.04	29.44
Ireland (16)	579.04	5.0	523.32	407.89	556.21	556.21	6.7	1.70	589.19	529.53	413.92	–	590.27	606.85	395.98	410.52
Italy (53)	188.04	5.1	169.95	132.46	235.37	235.37	6.8	1.18	190.83	171.50	134.06	–	236.48	192.64	122.67	123.01
Japan (445)	98.84	-1.6	89.33	69.62	98.52	69.62	-2.8	1.07	100.25	90.10	70.43	98.92	70.43	109.73	76.83	92.40
Mexico (29)	1050.68	-8.0	949.58	740.12	1047.26	11263.55	-8.8	2.27	1053.66	946.96	740.22	1039.68	11353.10	1733.73	787.15	1063.74
Netherlands (26)	532.84	0.6	481.57	375.35	463.90	463.90	2.3	2.04	540.62	485.88	379.80	–	465.95	562.73	391.03	406.88
New Zealand (18)	63.83	8.2	57.69	44.96	63.62	82.71	5.7	4.65	64.23	57.72	45.12	63.37	63.01	77.84	45.88	74.73
Norway (37)	249.02	13.4	225.06	175.42	248.22	251.04	10.6	2.30	241.42	216.97	169.60	238.21	243.19	357.71	181.86	307.86
Philippines (22)	96.17	6.5	86.92	67.75	95.86	182.37	4.1	0.81	96.34	86.59	67.68	95.07	183.41	106.98	42.48	62.91
Portugal (18)	275.28	7.1	248.79	193.92	326.98	326.98	8.9	1.01	278.68	250.45	195.78	–	327.69	299.39	194.13	–
Singapore (41)	231.28	7.0	209.02	162.92	230.53	178.68	8.7	1.59	228.48	206.24	161.21	226.43	176.71	246.74	102.45	171.48
South Africa (38)	201.90	9.5	182.47	142.22	201.24	258.17	8.1	3.71	196.52	176.62	138.06	193.92	251.49	348.20	151.55	252.89
Spain (30)	418.44	4.1	378.37	293.85	454.37	454.37	5.8	1.78	423.30	380.44	297.38	–	457.22	435.19	274.42	277.78
Sweden (44)	542.49	8.1	490.29	382.14	540.73	635.06	5.6	1.80	543.76	488.70	382.01	536.55	635.05	628.19	379.18	470.13
Switzerland (30)	435.23	5.0	393.36	306.59	433.82	376.88	8.7	1.13	433.36	389.48	304.45	427.61	372.26	441.65	307.73	340.89
Thailand (35)	26.41	11.3	23.86	18.60	26.32	37.32	11.6	2.54	27.55	24.76	19.35	27.18	38.80	33.84	8.15	15.97
United Kingdom (207)	389.21	2.9	351.76	274.17	387.94	351.76	4.4	2.80	388.57	349.22	272.98	383.41	349.22	401.84	307.96	332.18
USA (616)	525.31	3.6	474.76	370.04	523.60	525.31	3.6	1.24	523.08	470.11	367.48	516.14	523.08	525.31	378.74	390.22
Americas (784)	465.36	3.7	421.49	328.62	464.85	395.31	3.6	1.27	464.44	417.42	326.29	458.28	393.67	466.36	343.40	353.97
Europe (733)	375.86	4.1	339.69	264.76	374.64	344.07	5.8	1.97	377.19	339.00	264.99	372.19	342.50	388.24	279.28	289.98
Eurobloc (345)	110.66	4.4	100.01	77.95	105.42	105.42	-0.5	1.84	111.56	100.26	78.39	–	106.23	113.82	81.53	–
Nordic (144)	521.96	7.1	471.74	367.68	520.27	522.92	6.4	1.72	521.23	468.45	366.18	514.31	518.82	555.97	360.04	414.66
Pacific Basin (730)	107.99	-0.1	97.60	76.07	107.64	79.46	-1.3	1.57	109.36	98.28	76.83	107.91	80.30	119.48	82.88	100.54
Euro-Pacific (1463)	219.42	2.9	198.31	154.58	218.71	178.81	3.6	1.85	220.76	198.40	155.09	217.83	178.75	221.79	186.00	179.53
North America (733)	504.30	3.8	456.78	355.24	502.68	505.29	3.7	1.26	502.13	451.29	352.76	495.47	503.10	504.30	367.39	378.50
Europe Ex. UK (526)	355.67	4.7	321.45	250.54	354.52	329.59	6.2	1.57	357.81	321.58	251.37	353.08	328.50	366.32	250.03	260.70
Europe Ex. Eurobloc (388)	100.69	3.8	91.00	70.93	100.36	100.47	5.0	2.32	100.52	90.34	70.82	99.19	99.71	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	103.93	5.8	93.93	73.21	103.60	100.50	6.3	1.35	103.76	93.25	72.90	102.39	98.18	109.21	75.16	–
Pacific Ex. Japan (285)	192.73	6.0	174.18	135.76	192.10	186.11	4.5	3.34	194.08	174.42	136.34	191.50	197.54	216.04	128.26	178.86
World Ex. Eurobloc (1950)	108.05	3.2	108.74	90.50	107.70	106.03	3.1	1.52	107.91	108.99	90.14	106.48	105.74	108.05	83.09	–
World Ex. US (1679)	218.90	3.0	197.57	153.99	217.89	183.64	3.8	1.87	219.79	197.53	154.41	215.87	183.54	221.91	165.95	183.07
World Ex. UK (2088)	310.55	3.4	280.67	218.76	309.54	275.49	3.5	1.98	310.72	279.25	218.39	306.59	274.95	311.48	234.66	242.05
World Ex. Japan (1850)	426.90	3.9	384.92	300.02	424.52	414.97	4.4	1.59	425.40	382.32	298.85	419.75	413.31	427.99	318.78	328.26
The World Index (2295)	317.36	3.4	286.82	223.55	318.32	282.56	3.6	1.54	317.45	285.31	223.02	313.24	281.85	318.51	242.08	249.68

 CONSTITUENT CHANGES DURING THE WEEK ENDING 8/1/99: Deletions: Amoco (USA), Coastal Financial (USA) and SunAmerica (USA). Name changes: British Petroleum to BP Amoco (UK), Fortis AG to Fortis B (Belgium), Hitachi Zosen to Keppel Hitachi Zosen Ltd. (Singapore), NOVA Corp. to NOVA Chemical Corp. (Canada) and Starwood Hotels & Resorts to Starwood Hotels & Resorts Worldwide (USA).

Emerging markets:

IFC Investable indices

Dollar terms

Jan 7 Market

NEW YORK STOCK EXCHANGE PRICES

[illegible]

Price data supplied by Exel, part of FT information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 8	Jan 7	Jan 6	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9643.32	9537.78	9544.97	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	108.27	106.43	108.44	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.90 (1/10/81)
Transport	3380.28	3319.87	3317.48	3686.02 (16/4/98)	2345.00 (9/10/98)	3686.02 (16/4/98)	12.23 (8/7/32)
Utilities	310.14	311.15	311.78	320.51 (9/10/98)	252.56 (9/1/98)	320.51 (9/10/98)	16.58 (8/7/32)

DJ Ind. Day's high (u) 9616.29 Low (u) 9088.12 (Theoretical)
Day's high 9647.96 (9542.14) Low 9525.41 (9428.02) (Actual)

Standard and Poors	Jan 8	Jan 7	Jan 6	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1275.09	1269.73	1272.34	1275.09 (8/1/99)	927.69 (8/1/98)	1275.09 (8/1/99)	4.40 (1/6/32)
Industrials¶	1527.38	1521.92	1530.43	1530.43 (6/1/99)	1077.40 (9/1/98)	1530.51 (8/1/99)	3.52 (30/6/32)
Financial¶	138.87	137.32	136.85	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	611.06	609.19	611.01	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.64 (25/4/42)
Amex Comp.	707.76	703.96	701.47	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (15/7/98)
NASDAQ Cmp	2344.41	2326.09	2320.86	2344.41 (8/1/99)	1419.12 (8/10/98)	2344.41 (8/1/99)	54.87 (3/10/74)
Russell 2000	431.23	427.83†	427.80	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.38 (7/12/83)

RATIOS

	Dec 31	Dec 24	Dec 18	Year ago
Dow Jones Ind. Div. Yield	1.66	1.65	1.71	1.72
	Jan 6	Dec 30	Dec 23	Year ago
S & P Ind. Div. yield	1.11	1.17	1.17	1.49
S & P Ind. P/E ratio	39.11	37.82	37.69	25.98

US DATA

MARKET ACTIVITY

NYSE TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

NASDAQ TRADING ACTIVITY

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
MCIWorld	38,185,700	75	–⅝
Amz.com	33,269,200	100⅞	+1⅜
CiscoSys	23,888,600	100⅞	+3½
DellCmp	17,353,200	77⅞	–⅝
Lycos	15,945,200	91¼	+20¼
TCI GpA	13,707,300	62⅝	+1⅛
PeoplSoft	12,444,600	23⅝	–⅛
Micsft	12,303,400	140⅝	–⅛
Excite	12,220,100	60	+4⅛
Intel	10,007,800	130⅛	+⅛

BIGGEST MOVERS

Dow Jones

FTSE Eurotop 300

JAPAN

TOKYO TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

GERMANY

FRANKFURT TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

FRANCE

PARIS TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

UK

LONDON TRADING ACTIVITY

ACTIVE STOCKS

BIGGEST MOVERS

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1277.80	1287.00	+8.20	1290.50	1271.00	105,395	382,498
Jun	1300.50	1299.20	+8.30	1301.00	1280.00	325	7,985

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	13500.0	13320.0	–180.0	13500.0	13300.0	23,974	188,430
Jun	13300.0	13220.0	–200.0	13310.0	13220.0	868	31,307

Open interest figures for previous day.

CAC-40 (200 x index)	Open
Jan	4287.00
Feb	4310.5

DAX	Open
Mar	5420.0
Jun	5467.0

WORLD MARKETS AT A GLANCE

Country	Index	Jan 8	Jan 7	Jan 6	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	17366.89	17805.30	18103.18	29496.89 23/3/98	12383.10 10/9/98	4.18	11.7

Continuing worries about Brazil kept market down with shares ending little changed on the week.

Country	Index	Jan 8	Jan 7	Jan 6	1998/99 High	1998/99 Low	Yield	P/E
Australia	All Ordinaries	2858.3	2887.3	2853.4	2897.38 7/1/99	2459.30 1/9/98	3.4	21.2
	All Mining	583.4	581.2	579.6	713.10 29/4/98	488.90 31/8/98		

Slipped back with easier bonds and local dollar. News Corp and banks led falls while golds rose 1.6 per cent with bullion.

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 8

THE NASDAQ-AMEX MARKET GROUP

AMEX

4 pm close January 8

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 11

Commission under threat

The opening 1999 session of the European parliament, which is held in Strasbourg through the week, offers the intriguing prospect of the resignation of the entire European Commission. MEPs will vote on a censure motion following their decision last month to withhold approval of the 1996 European Union accounts amid allegations of mismanagement and spending irregularities. In the unlikely event that a majority of two-thirds backs the motion, the Commission would be forced to quit. Joschka Fischer, German foreign minister, will present his country's programme for its presidency of the EU. Winning agreement on the Agenda 2000 proposals and future financing of the union, progress on enlargement and tackling unemployment are among priorities for the next six months. Among other subjects for debate, MEPs will discuss Commission plans to cut guaranteed farm prices and proposed compensation for farmers. The deadline for agreement on reforms to the Common Agricultural Policy is the end of March.

Mike Tyson returns to the boxing ring on Saturday for the first time since disqualification for biting opponent Evander Holyfield

Germany takes over

Germany's presidency of the European Union steps up a gear with a joint meeting of the German cabinet and the European Commission in Bonn. Germany has set a reform of EU finances and joint measures on job creation as the main goals of its six-month presidency. But topics at today's meeting are also likely to include the recent dispute over allegations of fraud and mismanagement at the Commission.

Egyptian protest

Amr Musa, the Egyptian foreign minister, continues a private two-day trip to Israel to take part in the annual convention of the Peres Centre for Peace. He has said he is unwilling to meet Ariel Sharon, the Israeli foreign minister, as a protest over Israel's decision to suspend implementation of the Wye River land-for-security agreement.

Fighting waste

Government negotiators meet in Geneva to January 15 to try to thrash out new rules on legal responsibility and compensation for trade in hazardous wastes, which is governed by the Basle convention. The proposals would make exporters of toxic waste in rich countries responsible for cleaning up dumped waste in the developing world. The negotiators are also trying to reach agreement on implementation of a 1995 decision to ban all exports of toxic waste from rich countries to poor ones and on how to strengthen the ability of developing countries to combat illegal trade.

Cricket decision

Australian cricketers Mark Waugh and Shane Warne face calls for a life ban at a meeting of the International Cricket Council in Christchurch, New Zealand. India, Pakistan and Sri Lanka are expected to call for a ban on the pair, who admitted taking money from an Indian bookmaker in return for information on pitch and weather conditions during a tour of Sri Lanka in 1994. A majority of the nine members of the ICC would be needed to approve the ban.

Satellite test

Britain's Office of Fair Trading embarks on a landmark legal case that is likely to affect the future of all televised sport in the UK. The OFT will try to prove in the Restrictive Practices Court that an exclusive contract between football's Premier League and BSkyB, the satellite broadcaster, is anti-competitive and against the public interest.

Menem visits US

Carlos Menem, Argentinian president, pays a state visit to Washington for talks on trade issues and efforts to encourage region-wide economic growth.

BIS confidential

Central bank governors, mainly from the Asian region, meet in Hong Kong under the auspices of the Bank for International Settlements. The governors' discussions, which will be confidential, are expected to review the global economic situation and financial developments in Asia.

Obuchi arrives

Keizo Obuchi, the Japanese prime minister, arrives in Germany on the last stage of his European tour. He starts in Berlin with a meeting with Roman Herzog, the president. On Tuesday he travels to Bonn for talks with Gerhard Schröder, chancellor, and Joschka Fischer, foreign minister.

Holidays

Morocco, Colombia, Venezuela.

TUESDAY 12

Banana battle

The dispute settlement body of the World Trade Organisation meets in Geneva to establish a dispute panel that will examine the European Union's revised banana import regime for consistency with WTO rules. The panel has been requested by both the EU and Ecuador. The US, which says the new scheme continues to discriminate against Latin American bananas and US banana distributors, has threatened the EU with trade sanctions. Brussels maintains that it has complied with earlier WTO rulings and has brought a countersuit against the US sanctions threat.

Diamond souvenir

The baseball struck by Mark McGuire of the St Louis Cardinals for his record-breaking 70th and last home run of the 1998 season will be auctioned in New York. The ball, picked up in St Louis' Busch Stadium by a fan, is forecast to sell for $1m or more.

Cyprus mediation

Ann Hercus, United Nations alternate special representative to Cyprus, is scheduled to meet Glafcos Klerides, the Cypriot president, in Nicosia. Tensions have been rising on the divided island as both the predominantly Greek south and the Turkish-backed north build their military arsenals. Dame Hercus will meet Rauf Denktas, leader of the self-proclaimed Turkish Republic of Northern Cyprus, on Thursday.

World Bank meets

The World Bank's board is scheduled to meet in Washington. Its discussions will include relations with Pakistan, which has suffered under an international embargo following its test of nuclear arms in May last year. Some restrictions have been lifted after the government of Nawaz Sharif showed signs of willingness to sign the Comprehensive Test Ban Treaty.

Holidays

Tanzania, Turkmenistan.

WEDNESDAY 13

Russian budget

The Russian budget is expected to get its second reading in the Duma about this date, according to Alexander Zhukov, chairman of the budget committee. He says that as many as 130 amendments have been submitted, which, if passed, would increase proposed spending by a third. Two more readings of the budget bill are likely to be held in February.

Judicial view

Justice Richard Goldstone, a judge at the South African Constitutional Court, addresses the Institute of International Affairs in London on the possible contradiction between international prosecutions and national truth commissions.

FT Survey

Review of Information Technology.

Holiday

Lithuania.

THURSDAY 14

Tokyo reshuffle

Keizo Obuchi, Japan's prime minister, is expected to reshuffle his cabinet to launch a coalition government between his Liberal Democratic party and the Liberal party. Mr Obuchi and Ichiro Ozawa, the LP leader and former LDP member, agreed last November to form an alliance before the regular Diet session starts on January 19. The coalition will make it easier for the LDP to pass legislation in the Diet. The two leaders have tried to bridge their policy differences on key issues. So far, they have reached a basic policy agreement on the role of Japan's self-defence forces in UN missions and the reduction of seats in the Lower House of the Diet.

Greek report

The Organisation for Economic Co-operation and Development is scheduled to release its economic survey of Greece.

Grenada votes

Grenada, in the Caribbean Windward Islands, holds a general election. The current administration of the former British colony is led by prime minister Keith Mitchell.

IMF contact

Yuriy Maslyukov, Russian first deputy prime minister, begins a three-day visit to the US where he is expected to meet Stanley Fischer, first deputy director of the International Monetary Fund, within the framework of a conference in Boston. An IMF delegation is expected to visit Russia during the last two weeks of January.

Holiday

Macedonia.

FRIDAY 15

Kasparov's play

Garry Kasparov has faced growing criticism over his absence from leading chess tournaments in 1998. The world champion puts his reputation on the line in the 61st Hoogovens tournament at Wijk aan Zee, sponsored by the Dutch steel maker (to January 31). Kasparov faces India's Vishy Anand, world number two, who won many of last year's contests, and five other grandmasters from the world top 10.

Bank deadline

The government-imposed deadline for Thailand's banks to restructure their huge debts is due to expire, but is expected to have little effect because the government is willing neither to suspend the banks' licences nor to take them over.

Sudan interval ends

The ceasefire between Sudanese government troops and rebels in the southern Bahr el Ghazal province, which allowed relief agencies to deliver aid to the famine-struck area, expires. It was extended for three months in October.

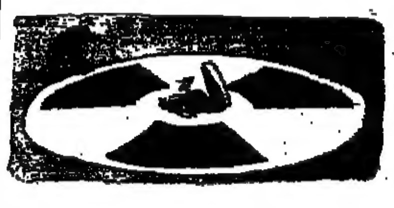
Holidays

Malawi, Bangladesh, Japan, Sri Lanka.

SATURDAY 16

Korean talks

The US and North Korea meet in Geneva for two days to discuss access to a North Korean underground construction site at Kumchang-ri, which, the US suspects, is intended as a nuclear weapons facility. Refusal to allow access could jeopardise a 1994 accord with the US in which North Korea agreed to freeze its nuclear programme in return for free fuel and safer nuclear reactors. The bilateral



talks precede another round of four-party talks, including China and South Korea, that will resume in Geneva on January 19.

CSU conference

The German Christian Social Union, Bavarian sister party of the Christian Democrats, the main opposition party that formed the previous government under Helmut Kohl, holds a party conference in Munich. Edmund Stoiber is to take over as party chairman.

Boxing

Mike Tyson fights South African Francois Botha in Las Vegas.

Holiday

Bangladesh.

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ECONOMIC DIARY

Other economic news

Monday: Industrial production and manufacturing output in the UK are likely to have spent another month struggling during November: analysts expect to see another month of shrinking production.
Tuesday: A tranche of figures on the German economy is released this week, including consumer price data for December, retail sales and the current account for November. The trade balance is expected to post a DM12bn surplus for the month.
Wednesday: The UK's labour market is showing signs of turning down, according to the Bank of England. Publication of the latest official figures for unemployment should confirm the Bank's view.
Thursday: The US consumer price index for December is likely to show the rate of increase creeping above 1.7 per cent on an annual basis.
Friday: Surging equity prices in the US should have boosted consumer confidence responses in January, on both the University of Michigan and Conference Board measures.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	N'lands	Nov producer price index *	-0.4%	-0.9%
Jan 11	N'lands	Nov producer price index **	-5.2%	-5.0%
	UK	Nov industrial production *	-0.3%	0.0%
	UK	Nov industrial production **	0.7%	0.4%
	UK	Nov manufacturing output *	-0.3%	-0.4%
	UK	Nov manufacturing output **	-0.3%	-0.5%
	UK	Dec producer price index input *	-0.7%	-0.6%
	UK	Dec producer price index input **	-8.3%	-8.5%
	UK	Dec producer price index output *	0.2%	-0.2%
	UK	Dec producer price index output **	0.0%	0.1%
	Japan	Dec BoJ bank data		n/a
	Germany	Nov manufacturing orders pan *	1.5%	-2.6%†
Tues	Germany	Nov trade balance DMbn	11.5	12.6
Jan 12	Germany	Nov current account DMbn	1.0	-3.8
	Germany	Nov industrial production pan *	-0.5%	1.4%†
	Germany	Nov manufacturing output pan *		1.6%†
	France	Dec consumer price index prel *	0.0%	0.0%
	France	Dec consumer price index prel **	0.3%	0.3%
	US	Dec Atlanta fed index		-8.4
	US	Redbook Jan 9		0.6%
	UK	Dec BRC retail survey		-0.4%
Wed	US	Dec producer price index	0.2%	-0.2%
Jan 13	US	Dec PPI ex-food and energy	0.4%	0.1%
	Germany	Dec final cost of living * west		0.0%
	Germany	Dec final cost of living ** west		0.6%
Thurs	France	Oct current account FFrbn sa	14.0	19.6
Jan 14	France	Q3 gross domestic product final ★	0.5%	0.8%
	France	Q3 gross domestic product final **	2.8%	3.2%
	N'lands	Nov industrial production sa *		2.5%
	N'lands	Nov industrial production nsa **		1.9%
	Germany	1998 gross dom prod pan ** (stats off)	2.8%	2.2%
	Germany	1998 national deficit % of GDP	2.3%	2.8%
	US	Dec consumer price index	0.2%	0.2%
	US	Dec CPI ex-food and energy	0.3%	0.2%
	US	Dec real earnings		0.1%
	US	M2 week ended Jan 4 $bn	6.5	9.8
	US	Dec monthly M2 $bn	37.0	n/a
Fri	Italy	Nov industrial production * sa	-1.2%	1.1%
15 Jan	Italy	Nov industrial production ** nsa	3.8%	-1.8%
	US	Dec industrial production	0.3%	0.3%
	US	Dec export price index	0.1%	0.1%
	US	Dec import price index	-0.2%	-0.3%
During the week...				
	Germany	Dec cost of living* pan	-0.1%	0.0%
	Germany	Dec cost of living** pan	0.5%	0.7%
	Emu	Dec sentiment index		104.3
	Belgium	Nov industrial production nsa **		-0.8%
	Japan	Nov current account (IMF) nsa Ytrn	1.07	1.27
	Japan	Nov trade balance (IMF) nsa Ytrn		1.24

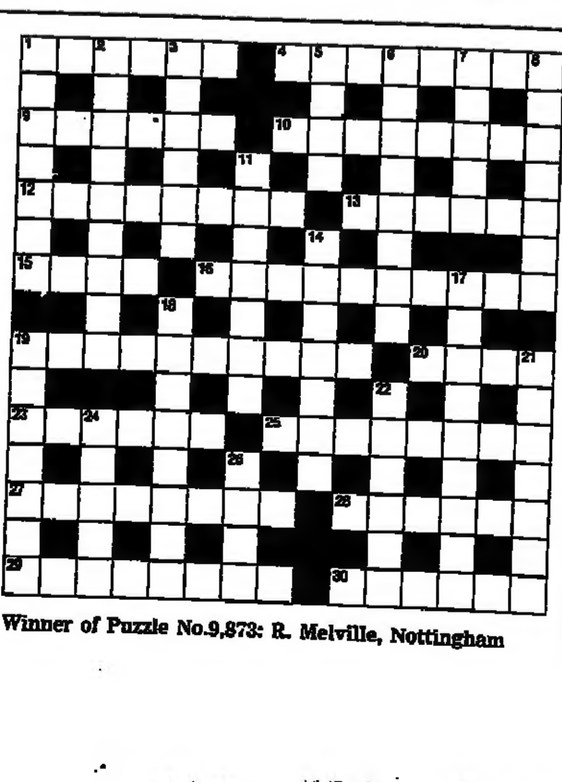
*month on month, **year on year, ★quarter on quarter, †revised. *Statistics; courtesy Standard & Poor's MMS.*

ACROSS

1 Feel sorry for soldiers cooped up (6)
4 Masefield's main complaint (3-5)
9 They may advance or stop if ordered (6)
10 People at play (6)
12 There's some humanity in him, no doubt (8)
13 Female embraced by one female deity or another (6)
15 The right side of the map (4)
16 Nine crates of mixed fruit (10)
19 Light that goes up and down (4-6)
21 A bit of a fag, perhaps (4)
23 Actually it's about a friend (6)
25 Give warning to number after earthquake (8)
27 Swimmers who will leap ahead when detailed (8)
28 Dark red strand (6)
29 Suffering which might make a crew mutiny? (8)
30 Primate rushes around (6)

DOWN

1 Line of sight? (7)
2 What the doctor may make of poor signs (9)
3 It ensures you won't be spotted at mealtimes (6)
5 They can't fly me up to the land of the free (4)
6 Squanders food (8)
7 Lacking a roadway site (5)
8 Jackets for hippies (7)
11 Brilliant spectacle opening up over Etna, perhaps (7)
14 A prize for waste (7)
17 At noon it's changing character, or characters (9)
18 Partition between pigs and birds (8)
19 Pull out in time (7)
21 Fruit and nuts (7)
22 The cad is out to break the engagement (6)
24 Sliding calculator (5)
26 Endless danger for a fairy (4)



Winner of Puzzle No.9,873: R. Melville, Nottingham

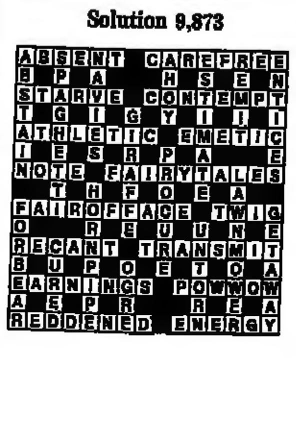
MONDAY PRIZE CROSSWORD
No.9,884 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday January 21, marked Monday Crossword 9,884 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 25. Please allow 28 days for delivery of prizes.

Name...

Address...

Solution 9,873



JOTTER PAD

هكذا من الاصل